越秀地產股份有限公司

YUEXIU PROPERTY COMPANY LIMITED

Stock Code: 00123

WHERE GOOD LIVING STARTS

ANNUAL REPORT 2016

CONTENTS

CORPORATE STRUCTURE

As at 31 December 2016

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing (Chairman)
Mr Zhu Chunxiu
Mr Lin Zhaoyuan
Mr Li Feng
Mr Ou Junming

Independent non-executive directors & audit committee members

Mr Yu Lup Fat Joseph
Mr Lee Ka Lun
Mr Lau Hon Chuen Ambrose

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Baker & McKenzie

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Wing Lung Bank Limited
DBS Bank Ltd.
China Construction Bank (Asia) Corporation Limited
Agricultural Bank of China Limited

ADR DEPOSITARY BANK

The Bank of New York Mellon
American Depositary Receipts
620 Avenue of the Americas, 6th Floor
New York, NY 10011, USA
Telephone : (646) 885 3218
Facsimile : (646) 885 3043

WEBSITES TO ACCESS COMPANY INFORMATION

http://www.yuexiuproperty.com
http://www.irasia.com/listco/hk/yuexiuproperty
http://www.hkexnews.hk

REGISTERED OFFICE

26th Floor
Yue Xiu Building
160 Lockhart Road
Wanchai, Hong Kong

SHARE REGISTRAR

Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

Stock codes
The Stock Exchange of Hong Kong Limited - 00123
Reuters – 123.HK
Bloomberg – 123 HK

Notes and Bonds

The Stock Exchange of Hong Kong Limited

USD500,000,000 4.50 per cent. Notes due 2023 (Code: 4597)
HKD2,300,000,000 6.10 per cent. Notes due 2029 (Code: 5846)

Shanghai Stock Exchange

RMB1,000,000,000 2.95 per cent. Corporate Bonds due 2019 (16穗建01 Code: 136600)
RMB2,000,000,000 3.00 per cent. Corporate Bonds due 2021 (16穗建02 Code: 136601)
RMB2,500,000,000 2.97 per cent. Corporate Bonds due 2022 (16穗建03 Code: 136678)
RMB500,000,000 3.19 per cent. Corporate Bonds due 2021 (16穗建04 Code: 136679)
RMB1,500,000,000 2.95 per cent. Corporate Bonds due 2021 (16穗建05 Code: 136732)
RMB500,000,000 3.15 per cent. Corporate Bonds due 2023 (16穗建06 Code: 136733)

INVESTOR RELATIONS

For further information about Yuexiu Property Company Limited, please contact:
Mr Michael Jiang
Telephone : (852) 2593 2319
Facsimile : (852) 2511 0832
Email : ir@yuexiu.com.hk

FINANCIAL HIGHLIGHTS

INCOME STATEMENT HIGHLIGHTS

RMB'000	*For the year ended 31 December*				
	2016	2015	2014	2013	2012 As restated
Revenue	**20,871,021**	22,115,677	15,701,739	14,208,873	8,119,945
Gross profit	**4,339,601**	4,658,816	4,138,021	4,104,453	3,857,881
Profit attributable to equity holders – from continuing operations	**1,540,154**	1,012,889	2,471,255	2,880,343	2,481,834
Basic earnings per share – from continuing operations (RMB)	**0.1242**	0.0817	0.2329	0.2901	0.2672

BALANCE SHEET HIGHLIGHTS

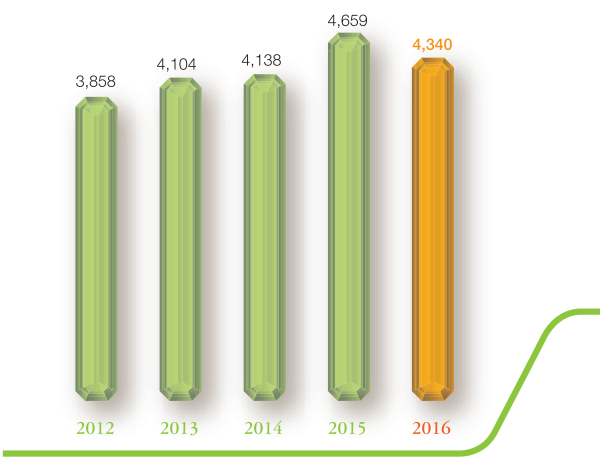
RMB'000	*As of 31 December*				
	2016	2015	2014	2013	2012 As restated
Total cash (including cash, cash equivalents and charged bank deposits)	**22,021,982**	15,168,118	12,957,343	8,374,233	9,263,401
Total assets	**125,364,916**	112,024,654	93,075,353	78,070,648	69,996,933
Total assets less current liabilities	**72,438,260**	69,490,564	59,116,252	46,280,399	42,440,452
Shareholders' equity	**30,623,986**	29,618,176	29,103,975	24,175,205	22,158,140
Shareholders' equity per share (RMB)	**2.469**	2.388	2.347	2.593	2.383

REVENUE

(RMB million)

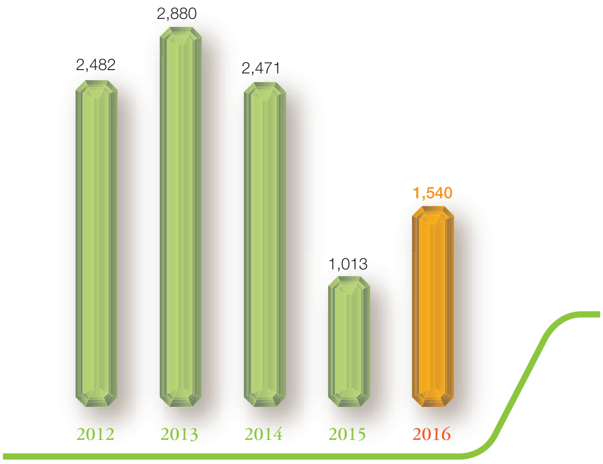
GROSS PROFIT

(RMB million)



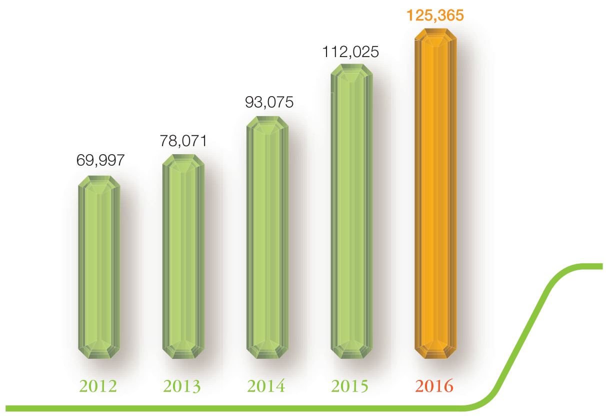
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS FROM CONTINUING OPERATIONS

(RMB million)



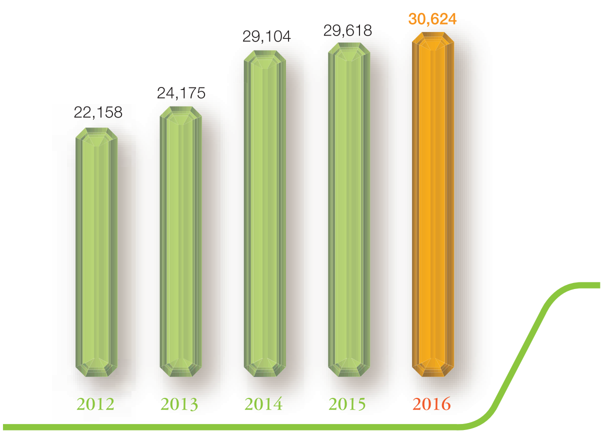
TOTAL ASSETS

(RMB million)



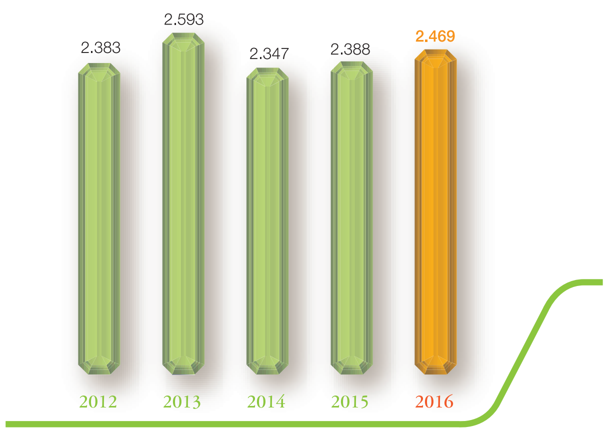
SHAREHOLDERS' EQUITY

(RMB million)



SHAREHOLDERS' EQUITY PER SHARE

(RMB)



KEY EVENTS OF THE YEAR

The Group successfully acquired Nansha Phase 10 Land from its parent company, Guangzhou Yue Xiu Holdings Limited, the effective approach of "incubation by the parent – acquisition by property" to increase landbank was successfully implemented.

The aggregated value of contracted sales (including contracted sales by joint venture projects) recorded by the Group was approximately RMB30.25 billion, reaching a new historical high level of the Group; the value of contracted sales increased by 21.7% on a year-on-year basis, and exceeded the full year sales target of RMB25.8 billion.

The Group launched two new projects, Guangzhou Starry Haizhu Bay and Guangzhou Starry Sky City, in Guangzhou market and attracted tremendous market attention, sales of both projects were in hot demand and recorded an aggregated value of contracted sales of approximately RMB2.5 billion.

The Group successfully implemented the senior management share incentive scheme, which stimulated the organization vigour effectively, enhanced capital efficacy and operation efficiency of human resources, and strengthened the organic growth momentum.

The Group acquired 11 quality land parcels in 6 cities, including Guangzhou, Hangzhou, Wuhan and Qingdao, further strengthened the Group's market presence in key regions, such as Greater Guangzhou, Yangtze River Delta and Central China region.

As at the end of 2016, Moody's, Standard & Poor's and Fitch have all maintained their investment grade ratings on our Group. The Group continued to be one of the few property developers in China with investment grade ratings from the above three international rating agencies.

The Group won the "Corporate Governance Gold Award 2016" awarded by "The Asset" Magazine in Hong Kong for the fifth consecutive year, which was helpful to enhance the reputation and prestige of the Group.

The Group capitalized on the opportunities arising from the opening of onshore bond market and successfully issued RMB8.0 billion bonds denominated in Renminbi in the PRC with a weighted average coupon rate of 2.9963% only, which significantly reduced the overall funding cost.

The Group increased efforts to consolidate commercial resources, optimized the operation of the commercial platform, formulated and implemented the "Property - REIT" twin engine model to accelerate the commercial property development of the Group.

The Group successfully secured Pingan Real Estate as strategic cooperative partner in the Guangzhou Starry Sky City to further deepen cooperation with large-scale financial institution.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

In 2016, the Group achieved sustainable stable growth in business operation by adhering to the key economic work guidelines of the central government to "eliminate inventory, stabilize growth", conforming to the themes of "upgrading management to enhance capabilities and achieving breakthrough in reforms to promote development" and with the objectives of "revitalizing resources, enhancing capabilities and strengthening commercial projects".

MR ZHANG ZHAOXING
Chairman

I. BUSINESS REVIEW

Economic and Market Environment

In 2016, the global economy continued to recover slowly amid instability and uncertainty. The "Brexit" brought a new risk factor for the global economic growth. The U.S. economy experienced strong growth, while the pace of emerging markets and developing economies' growth was slowing down. Eurozone countries' and Japan's economic recovery was very slow despite of their increasing efforts on quantitative easing. In 2016, under the new economic normality, even though China's economy faced numerous challenges such as stabilizing economic growth, adjusting economic structure, de-stocking and continuous depreciation of Renminbi, industrial and consumption growth remained stable and the year-on-year GDP growth remained at a relatively reasonable level of 6.7%, under the supply-side reforms and the continual release of the effect of the policy for stabilizing economic growth. However, growth in private investments was low and external demand remained weak. There were signs of slowing down in real estate investments, and downward pressure on macroeconomic growth increased. Facing a number of unfavorable internal and external factors, the central government continued to increase its policy support on stabilizing growth, accelerate supply-side reforms, promote urbanization and deepen reforms to generate dividends, resulting in the fundamental trend of a recovering and stable economy in China.

In 2016, under the support of multiple favorable policies including cutting down-payment, tax reduction and credit easing, the real estate market in China experienced strong growth in terms of both transaction volumes and prices. The GFA of commodity housing sales for the full year was approximately 1,570 million sq.m., representing a year-on-year increase of 22.5% while commodity housing sales value was approximately RMB11.8 trillion, representing a year-on-year increase of 34.8%. There was obvious progress achieved in "inventory reduction" in the real estate sector, which was a key momentum promoting stable macroeconomic growth. Along with strong growth in real estate sales, differentiation in the property market became more obvious. The transaction volumes in Tier 1 and selected Tier 2 cities rose significantly and prices increased rapidly. As a result, the property market overheated. Real estate developers were eager to replenish their land bank due to their strong sales performance, quicker inventory reduction and sufficient cash on hand together with more onshore funding channels and low capital costs. However, since the land supply was in shortage in hot cities, the competition for land projects was extremely intense. As a result, "Land Kings" frequently emerged and overall premium rate reached a historical new high level. Market risk was also accumulating and increasing gradually. To control the overheated property market in Tier 1 and selected Tier 2 cities, the government tightened control policies on property market regulation from the second quarter. In particular, since the end of the third quarter, control policies have been fully tightened in Tier 1 and selected Tier 2 cities by strictly restricting purchase, credit and prices in order to suppress the excessive growth in the price. The policy risk in the market grew. Under the influence of strict control measures implemented by the government, the sale volumes and prices growth in the property market in some of Tier 1 and selected Tier 2 cities started to go down. The government continued to implement policies by city and control measures by category and increased its efforts on "de-stocking" in Tier 3 and Tier 4 cities. As a result, inventory has improved, but the "de-stocking" task remained arduous.

Stable Growth in Operating Results

In 2016, the Group achieved sustainable stable growth in business operation by adhering to the key economic work guidelines of the central government to "eliminate inventory, stabilize growth", conforming to the themes of "upgrading management to enhance capabilities and achieving breakthrough in reforms to promote development" and with the objectives of "revitalizing resources, enhancing capabilities and strengthening commercial projects".

In 2016, the revenue of the Group was approximately RMB20.87 billion, representing a year-on-year decrease of 5.6%. Profit attributable to equity holders was approximately RMB1.54 billion, representing a year-on-year increase of 52.1%. Core net profit (profit attributable to equity holders excluding net fair value (loss)/gain on revaluation of investment properties and the related tax effect and net foreign exchange (loss)/gain recognised in consolidated income statement) was approximately RMB1.72 billion, representing a year-on-year increase of 38.6%.

The Board proposed to declare a final dividend for 2016 of HKD0.032 per share (equivalent to RMB0.028 per share). Together with the interim dividend, dividends for the full year of 2016 was HKD0.065 (equivalent to RMB0.056 per share), representing a year-on-year increase of 35.4% in terms of HKD. Total dividends for the full year of 2016 accounted for approximately 40% of the core net profit.

Record High Contracted Sales

In 2016, the Group recorded satisfactory sales performance and an increase in overall sales price by fully capitalizing opportunities of strong sales growth in the market resulting from favorable policies of "eliminate inventory, stabilize growth" implemented by the government, reasonably managing the development and sales progress, seizing the opportunities resulting from the release of the rigid and upgrading demand, adopting flexible sales strategies that are in line with the market and striving to increase the sell-through rate. For the reporting year, the Group recorded the aggregate contracted sales (including contracted sales by joint venture projects) value of approximately RMB30.25 billion (representing approximately 117.3% of the full year contracted sales target of RMB25.8 billion) and the aggregate contracted sales GFA of approximately 2.33 million sq.m., representing a year-on-year increase of 21.7% and 2.5%, respectively. The value of the aggregate contracted sales in the Pearl River Delta, the Yangtze River Delta and the Central China region was RMB28.55 billion, representing a year-on-year increase of 23.8% and accounting for approximately 94.4% of the Group's total contracted sales.

Diversified Increase in Landbank and Focus on Development in Three Major Regions

In 2016, the Group added 11 quality land parcels in 6 cities including Guangzhou, Hangzhou, Wuhan and Qingdao with a total GFA of approximately 4.21 million sq.m.. In terms of the attributable interest, GFA was approximately 2.04 million sq.m. and the land premium was approximately RMB10.58 billion. During the reporting period, the Group successfully acquired Nansha Phase 10 Land from its parent company, Guangzhou Yue Xiu Holdings Limited (廣州越秀集團有限公司), and increased its quality land bank in Nansha District, Guangzhou by approximately 0.94 million sq.m. The aggregate consideration paid was approximately RMB2.59 billion and the average land cost was approximately RMB2,700 per sq.m.. The successful acquisition of Nansha Phase 10 Land will further strengthen the Group's leading market position in Guangzhou and Nansha District.

In accordance with the Group's "13th Five-year Plan", in terms of regional expansion layout, the Group made the Pearl River Delta, the Yangtze River Delta and the Central China region, where Guangzhou, Hangzhou and Wuhan are located, the three key growth regions and allocated resources in priority. During the reporting period, the Group increased its resource allocation to Guangzhou, Hangzhou and Wuhan markets and there was an increase of 2.96 million sq.m. of quality land bank in such three cities in total. In terms of the attributable interest, the GFA was 1.30 million sq.m., which further strengthened the Group's market position in Guangzhou, Wuhan and Hangzhou.

As of 23 February 2017, the total land bank of the Group was approximately 14.62 million sq.m.. In terms of the attributable interest, the land bank was approximately 9.66 million sq.m.. The Group's land bank is located in 12 cities in the Pearl River Delta, the Yangtze River Delta, the Bohai Rim and the Central China region, over 90% of which is located in three key growth regions, namely the Pearl River Delta, the Yangtze River Delta and the Central China region.

Stable and Sound Financial Position

In 2016, the Group fully utilised its advantages of onshore and offshore diversified financing channels and the opportunities arising from decrease in onshore funding costs and consolidated and allocated financial resources to support the development of its principal business. In order to capitalise on the opportunities arising from the opening of onshore bonds market and low funding costs, RMB8.0 billion bonds were successfully issued in the PRC with a weighted average coupon rate of 2.9963%, which significantly reduced the overall funding costs. The average borrowing interest rate of the Group decreased from 4.95% in 2015 to 4.64%.

The Group continued to optimize its onshore and offshore debt structure. Based on the outlook of fluctuations in the exchange rate of Renminbi, the Group utilized onshore and offshore diversified financing channels to effectively allocate various resources and continued to repay foreign currency denominated loans at reasonable costs. The proportion of foreign currency denominated loans decreased significantly to 14.5% from 53.4% at the beginning of the year. A match in essence between the remaining foreign currency denominated loans and the existing offshore assets has been achieved and thus the impact of foreign exchange exposure on consolidated income statement has been basically eliminated.

During the reporting period, the Group recorded an operating net cash inflow of approximately RMB5.15 billion and had cash and cash equivalents and charged bank deposits of approximately RMB22.02 billion, representing an increase of 45.2% from the beginning of the year. As of 31 December 2016, the net gearing ratio of the Group decreased substantially from 73.1% at the beginning of the year to 53.1%.

Continued Enhancement of Commercial Development and Operation Capability

Commercial operation capability is the core competitive strength that the Group has been building up. The Group strengthened integration of business resources, optimized commercial platform in operation, established and implemented a Property-REIT based "dual platform" operation. The Group's commercial investment company and the listed REIT held by the Group accelerated the Group's commercial property development. As of the end of 2016, the Group directly owned approximately 0.88 million sq.m. of investment properties for leasing, and received rental income of approximately RMB0.52 billion, representing a year-on-year increase of 85.2%. The Group indirectly owned, through the Yuexiu Real Estate Investment Trust, approximately 0.74 million sq.m. of commercial properties for leasing and realized revenue of RMB1.84 billion, representing a year-on-year increase of 7.5%.

Continued Improvement in Refined Management

The Group fully implemented and optimized the activity-based costing and the lean management system with management accounting as its core, and optimized organizational structures and business platforms, so as to enhance its cost control capability.

During the reporting period, the Group continued to improve the market-oriented employment mechanism and strengthened the team building of professional managers. The plan of co-investment by project management teams and win-win profit-sharing plan were fully promoted and optimized within the Group. The share incentive scheme for the senior management was implemented successfully. The aim was to stimulate organizational vitality, enhance human capital efficiency and operational efficiency, strengthen inner growth momentum, and create value for shareholders.

II. BUSINESS OUTLOOK

Looking ahead in 2017, the global economy will continue its slow recovery, accompanied with growing instability and uncertainties. The global economy will continue its uneven and multipolar development. The U.S. economy will continue to grow strongly. Other advanced economies such as the eurozone countries, UK and Japan have seen signs of recovery, while emerging and developing economies' slow recovery is underway. Uncertainties from the new US government's policies, post-Brexit development and how fast the U.S. Federal Reserve will raise the interest rate will bring more challenges to the global economy's recovery and growth, heighten the volatility in the global economy and international financial markets, and increase risks in the world's trade and investment. Under the new economic normality, China's economy is at the critical stage of restructuring and upgrading. The new and old economy momentums are in transition. The real economy is still facing relatively considerable challenge, and it is difficult to see any substantive improvement in the external demand. The risk of a downturn remains high. It is anticipated that against such economic downturn challenge, the central government will further deepen the "supply side reform", accelerate reform and restructuring, and develop new growth forces for restoring momentum of economy. In addition, it will step up efforts on fiscal policy support and implement prudent and neutral monetary policies. It is expected that China's macro economy remains stable generally in 2017, with certain downside risks.

In 2017 the real estate industry will continue to play a role in stabilizing the economy and promoting growth. The industry's policy environment will be tightened as the policies will restore the real estate's positioning of living function, aiming for steady and healthy development of the real estate market. In line with the need to deflate housing bubble, the government will continue to maintain its policy keynote that exerts stringent control over the real estate market, although regulation by type and policies by city will be implemented based on specific market conditions. The real estate market will continue to differentiate. For tier 1 and major tier 2 cities, they will face certain market rectification. Transaction volumes will fall while general prices will basically remain stable due to short supply. For tier 3 cities and tier 4 cities, they still face pressure of de-stocking and market transaction volumes and prices will go downside simultaneously. Against the backdrop of stringent regulation, tightened financing to the industry and increased supply of lands by local governments, the hot land market will be cooled to a certain extent with competition eased. The industry will accelerate consolidation, resulting in continued rising of concentration, where acquisition and reorganization and cooperative development will become major growth drivers. Despite partial rectification in the real estate market in 2017, the medium to high growth rate of the economy, an increase in the per capita disposable income and the continued development of urbanization will create new room for growth for the real estate industry. With advancement of innovation and transformation in the industry, new business types and new development models will be attempted and practiced constantly. The government will expedite construction of fundamental systems and long-acting mechanisms for the real estate market to prevent a surge of or plunge in the real estate market and keep it generally stable.

In 2017, the Group aims for accomplishing the sales and operating targets for the full year, and adopts the work theme of "enhancing quality through upgraded management and promoting development through resources integration". The Group will strive to achieve its business development plan for the year and actively promote the implementation of various development strategies under the "13th Five-year Plan". The Group will focus on three core regions, namely Pearl River Delta, Yangtze River Delta and Central China Region, and strengthen and optimize the business of development and operation of residential and commercial properties and increase the operation capability of commercial properties. The Group targets to develop itself into an outstanding enterprise in the industry and constantly create value for shareholders.

Operation Strategies

The Group will implement the operation-oriented refined management system, build a product and service system centered on customers' needs, improve the market competitiveness of the whole property value chain and pursue sustainable and stable growth in principal operations of residential and commercial properties development. The Group will focus on growth in three core regions, namely Pearl River Delta, Yangtze River Delta and Central China Region, speed up project turnover and endeavor to enhance the investment return rate of projects. The Group will actively promote operation of the commercial "Yuexiu Commercial Investment - REIT" dual platform, effectively consolidate internal and external business resources and boost the core competitiveness of commercial operation, also pursue "lease and sale" balanced development model and increase revenue from commercial operation. The Group will adopt a market-driven approach, take proactive and flexible marketing strategies, explore and widen sales channels, increase sell-through rate and rate of collection, thereby achieving steady growth in operating results.

Investment Strategies

The Group will leverage on advantage of parent company's resources and state-owned enterprises resources platform, to strengthen the effective approach of "incubation by the parent - acquisition by property" to increase quality landbank, and strategic cooperation with state-owned enterprises to explore quality land resources. Also, the Group will actively pursue cooperation and M&A opportunities in the secondary market, and deepen its participation in city renewal projects arising from a city's redevelopment of "old towns, old villages and old plants", so as to obtain quality land resources. The Group will capitalise on its market competitive strength in acquiring land resources via integration and diversification. The Group will continue to increase its resources allocation in key cities such as Guangzhou, Wuhan and Hangzhou and regions where they are located, optimize the landbank structure, and speed up the project turnover, in order to increase the rate of return on net assets of the projects.

Financial Strategies

The Group will keep optimizing capital management and enhance the safety and stability of its financial performance indicators. The Group will continue to optimize the balance sheet, reduce financing costs and effectively manage foreign exchange risk. The Group will consistently improve the operating cash flow, reinforce cash collection and financing management, and ensure liquidity and capital safety. The Group will comprehensively strengthen budget and overall financial management, increase the utilization rate of financial resources, as well as strengthen the support role of financial management in business development.

Management Strategies

The Group will aim for increasing operational efficiency and effectiveness, constantly optimize organizational structures and mechanisms for better regional management and control, raise organisational efficiency and control risk effectively. The Group will strengthen the function of strategy management, improve the operation and management system, and focus on enhancing competitiveness of key links such as investment, product, cost and service in the value chain. The plan of co-investment by project management teams and win-win profit-sharing plan will be fully promoted and optimized within the Group. The senior management and key personnel share incentive scheme will be implemented. The Group will continue to enhance refined management, and continuously implement and improve activity-based costing and the refined management system with management accounting as its core, and comprehensively strengthen management over financial, financing, investment and operational risks.

ACKNOWLEDGMENT

2017 is a year of transformation of the Group's development under the "13th Five-year" plan. The Group is now fully implementing the 2017 annual business plan and the "13th Five-year" development plan, and reforms and optimizes the organizational structure and the management mechanism by relentlessly enhancing capabilities, strengthening commercial projects and vitalizing resources. With respect to the achievements of the Group over the years, I would like to take this opportunity to extend my gratitude to the Board of Directors for their strong leadership and all our staff for their relentless endeavors, as well as to express my deepest appreciation to our shareholders, customers and business partners for their full confidence and dedicated support.

Mr Zhang Zhaoxing
Chairman


Arman
PUMA

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE AND GROSS PROFIT

In 2016, the Group realized revenue of approximately RMB20.87 billion (2015: RMB22.12 billion), representing a year-on-year decrease of 5.6%. The total revenue (including proceeds from sales of investment properties) was approximately RMB21.05 billion (2015: RMB22.40 billion), representing a year-on-year decrease of 6.0%. The gross profit was approximately RMB4.34 billion (2015: RMB4.66 billion), representing a year-on-year decrease of 6.9%, and the gross profit margin reached approximately 20.8%.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

In 2016, profit attributable to equity holders of the Group was approximately RMB1.54 billion (2015: RMB1.01 billion), a year-on-year increase of 52.1%. If the net fair value (losses)/gains on revaluation of investment properties and the related tax effect and net foreign exchange profit or loss were not taken into account, the core net profit was approximately RMB1.72 billion (2015: RMB1.24 billion), a year-on-year increase of 38.6% and core net profit margin was approximately 8.2%.

CONTRACTED SALES

In 2016, the value of the aggregate contracted sales (including contracted sales by joint venture projects) of the Group was approximately RMB30.25 billion, a year-on-year increase of 21.7% and accounted for approximately 117.3% of the full year contracted sales target of RMB25.8 billion. The GFA of the aggregate contracted sales (including contracted sales by joint venture projects) was approximately 2.33 million sq.m., representing a year-on-year increase of 2.5%. The average selling price was approximately RMB13,000 per sq.m., a year-on-year increase of 19.3%.

In terms of regional composition, with respect to the value of the aggregate contracted sales for 2016, Guangzhou accounted for approximately 43.1%, Pearl River Delta (excluding Guangzhou) accounted for approximately 21.4%, Yangtze River Delta accounted for approximately 16.5%, Central China Region accounted for approximately 13.4%, and Bohai Rim accounted for approximately 5.6%. In terms of product types, residential properties accounted for approximately 77.3%, and commercial properties, parking and others accounted for approximately 22.7%.

In 2016, sales primarily conducted in Guangzhou, Wuhan and Hangzhou accounted for approximately 67.1% of sales in aggregate. The development of the markets in Guangzhou and Wuhan remained healthy. In 2016, the average trading price and trading amount in Guangzhou represented year-on-year increases of 10% and 44%, respectively, while the average trading price and trading amount in Wuhan represented year-on-year increases of 7% and 43%, respectively. Though the trading volume of Hangzhou in November and December recorded a small year-on-year decrease as a result of the control implemented in the second half of the year, the average trading price and trading amount for the year showed year-on-year increases of 9% and 58%, respectively. It is expected that these three markets will continue to develop steadily in 2017.

Contracted sales are summarised as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Golden Sands	Residential	19,600	510	26,000
2	Guangzhou Starry Wenhua	Residential	12,000	370	30,800
3	Guangzhou Paradiso Riverside	Residential	43,200	584	13,500
4	Guangzhou Starry Winking	Commercial	6,400	108	16,900
5	Guangzhou Starry Cullinan	Residential	4,100	218	53,200
6	Guangzhou Lingnan Hillside	Residential, parking	10,800	141	13,100
7	Guangzhou Lingnan Villas	Residential	76,300	982	12,900
8	Guangzhou Lingnan Wood	Residential, commercial	94,000	1,495	15,900
9	Guangzhou Yuexiu Poly Aite City	Residential	67,700	1,008	14,900
10	Guangzhou Starry Sky City	Residential	46,400	1,404	30,300
11	Guangzhou Starry Haizhu Bay	Residential, commercial	30,400	1,055	34,700
12	Guangzhou Yuexiu Greenland Haiyue	Residential	50,900	1,638	32,200
13	Guangzhou Lingnan Riverside	Commercial	1,300	34	26,200
14	Nansha Southern Le Sand	Residential, commercial	221,900	3,009	13,600
15	Conghua Glade Village	Residential	1,800	25	13,900
16	Conghua Glade Greenland	Residential	2,100	18	8,600
	Other projects	N/A	20,400	438	21,500
	Subtotal (Guangzhou)		**709,300**	**13,037**	**18,400**
17	Jiangmen Starry Regal Court	Residential	34,400	334	9,700
18	Jiangmen Xijiang Mansion	Residential	146,300	1,088	7,400
19	Jiangmen Xijiang Joy Mansion	Residential	24,200	200	8,300
20	Zhongshan Starry Winking	Residential	110,600	729	6,600
21	Zhongshan Starry Junting	Residential, commercial	52,600	410	7,800
22	Zhongshan Starry Peakfield	Residential	34,500	252	7,300
23	Zhongshan Paradiso Jadin	Residential, commercial	198,100	980	4,900
24	Nanhai Starry Winking	Residential, commercial	39,300	671	17,100
25	Foshan Lingnan Junting	Residential, commercial	57,000	766	13,400
26	Foshan Paradiso Power	Residential, commercial	85,500	1,052	12,300
	Subtotal (Pearl River Delta ex. Guangzhou)		**782,500**	**6,482**	**8,300**

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
27	Hangzhou Starry City	Residential, commercial	136,000	941	6,900
28	Hangzhou Starry Joy City	Residential, commercial	46,300	560	12,100
29	Hangzhou Starry Upper City	Residential, parking	70,100	1,154	16,500
30	Hangzhou Victory Center	Commercial	1,400	34	24,300
31	Hangzhou Crystal City	Residential	24,800	531	21,400
32	Suzhou Paradiso Pavilion	Residential	47,700	392	8,200
33	Suzhou Starry Pavilion	Residential, parking	94,800	1,374	14,500
	Subtotal (Yangtze River Delta)		**421,100**	**4,986**	**11,800**
34	Wuhan Starry Winking	Residential, Commercial	42,000	925	22,000
35	Wuhan Starry Emperor	Residential, commercial	115,300	1,431	12,400
36	Wuhan International Financial City	Residential, commercial	58,800	1,688	28,700
	Subtotal (Central China Region)		**216,100**	**4,044**	**18,700**
37	Shenyang Starry Winking	Residential	16,400	183	11,200
38	Shenyang Starry Blue Sea	Residential, commercial	14,400	125	8,700
39	Shenyang Yuexiu Hill Lake	Residential	900	7	7,800
40	Yantai Starry Golden Sands	Residential, commercial	54,100	310	5,700
41	Yantai Starry Phoenix	Residential	700	4	5,700
42	Qingdao Starry Blue Bay	Residential, commercial	114,500	1,074	9,400
	Subtotal (Bohai Rim)		**201,000**	**1,703**	**8,500**
	Total		**2,330,000**	**30,252**	**13,000**

RECOGNISED SALES

In 2016, the value of the recognised sales (including the sale of investment properties of RMB0.18 billion) and GFA of the recognised sales (including proceeds from sales of investment properties of approximately 6,200 sq.m.) were approximately RMB19.53 billion and 1.84 million sq.m., representing a year-on-year decrease of 8.6% and 7.5%, respectively, and the average selling price was approximately RMB10,600 per sq.m..

Recognised sales are summarized as follows:

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	Residential	3,800	205	53,900
2	Guangzhou Starry Golden Sands	Residential, Parking	28,700	656	22,900
3	Guangzhou Starry Wenhua	Residential, Parking	11,700	299	25,600
4	Guangzhou Paradiso Riverside	Residential, Parking	75,200	1,056	14,000
5	Guangzhou Starry Winking	Commercial, Parking	7,700	138	17,900
6	Guangzhou Lingnan Hillside	Residential, Parking	12,800	172	13,400
7	Guangzhou Lingnan Villas	Residential, Parking	104,500	1,291	12,400
8	Nansha Southern Le Sand	Residential, Parking	221,600	2,385	10,800
9	Conghua Glade Village	Residential	2,800	36	12,900
10	Conghua Glade Greenland	Commercial, Parking	5,000	43	8,600
	Other projects	N/A	10,300	191	18,500
	Investment Properties	N/A	6,200	180	29,000
	Subtotal (Guangzhou)		**490,300**	**6,652**	**13,600**
11	Jiangmen Starry Regal Court	Residential, Parking	139,900	1,126	8,000
12	Zhongshan Starry Winking	Residential, Parking	25,500	162	6,400
13	Zhongshan Starry Junting	Residential, Parking	75,500	486	6,400
14	Zhongshan Starry Peakfield	Residential, Parking	11,400	83	7,300
15	Zhongshan Paradiso Jadin	Residential, Parking	53,700	291	5,400
16	Nanhai Starry Winking	Residential	25,600	400	15,600
17	Foshan Lingnan Junting	Residential	83,200	1,050	12,600
	Subtotal (Pearl River Delta ex. Guangzhou)		**414,800**	**3,598**	**8,700**
18	Hangzhou Starry City	Residential, Parking	161,300	1,024	6,300
19	Hangzhou Starry Joy City	Residential, Parking	127,000	1,503	11,800
20	Suzhou Paradiso Pavilion	Residential, Parking	239,300	1,907	8,000
	Subtotal (Yangtze River Delta)		**527,600**	**4,434**	**8,400**

No.	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
21	Wuhan Starry Winking	Residential, Parking	118,400	2,322	19,600
22	Wuhan Starry Emperor	Residential, Parking	139,200	1,545	11,100
	Subtotal (Central China Region)		**257,600**	**3,867**	**15,000**
23	Shenyang Starry Winking	Residential	4,500	38	8,400
24	Shenyang Starry Blue Sea	Residential, Parking	18,400	98	5,300
25	Shenyang Yuexiu Hill Lake	Residential	2,100	22	10,500
26	Yantai Starry Golden Sands	Residential	87,900	478	5,400
27	Qingdao Starry Blue Bay	Residential	37,900	339	8,900
	Subtotal (Bohai Rim)		**150,800**	**975**	**6,500**
	Total		**1,841,100**	**19,526**	**10,600**

UNRECOGNISED SALES

As of 31 December 2016, the value of the unrecognised sales amounted to approximately RMB27.62 billion, and GFA of the unrecognised sales was approximately 2.16 million sq.m.. The average selling price was approximately RMB12,800 per sq.m..

Unrecognised sales are summarized as follows:

No	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
1	Guangzhou Starry Cullinan	Residential	2,200	135	61,400
2	Guangzhou Fortune Century Square	Commercial, Parking	1,300	31	23,800
3	Guangzhou Starry Golden Sands	Residential	13,800	396	28,700
4	Guangzhou Starry Wenhua	Residential	15,800	416	26,300
5	Guangzhou Paradiso Riverside	Residential	31,500	479	15,200
6	Guangzhou Starry Sky City	Residential	46,400	1,403	30,200
7	Guangzhou Starry Haizhu Bay	Residential	30,400	1,055	34,700
8	Guangzhou Yuexiu Greenland Haiyue	Residential	50,900	1,638	32,200
9	Guangzhou Lingnan Hillside	Residential	1,100	23	20,900
10	Guangzhou Lingnan Villas	Residential	11,700	189	16,200
11	Guangzhou Lingnan Wood	Residential	18,600	401	21,600
12	Guangzhou Yuexiu Poly Aite City	Residential	66,600	1,000	15,000
13	Southern Le Sand	Residential	227,000	3,296	14,500
14	Conghua Glade Greenland	Residential	2,000	17	8,500
	Other projects	N/A	18,400	603	32,800
	Subtotal (Guangzhou)		**537,700**	**11,082**	**20,600**

No	Project	Type	GFA (sq.m.)	Value (RMB mil)	ASP (RMB/sq.m.)
15	Jiangmen Starry Regal Court	Residential	11,300	111	9,800
16	Jiangmen Xijiang Mansion	Residential	146,300	1,088	7,400
17	Jiangmen Xijiang Joy Mansion	Residential	24,200	200	8,300
18	Zhongshan Starry Winking	Residential	122,200	730	6,000
19	Zhongshan Starry Peakfield	Residential	166,800	1,160	7,000
20	Zhongshan Paradiso Jadin	Residential	164,900	815	4,900
21	Nanhai Starry Winking	Residential	47,700	799	16,800
22	Foshan Lingnan Junting	Residential	87,900	790	9,000
23	Foshan Paradiso Power	Residential	139,600	1,423	10,200
	Subtotal (Pearl River Delta ex. Guangzhou)		**910,900**	**7,116**	**7,800**
24	Hangzhou Starry City	Residential	46,200	343	7,400
25	Hangzhou Starry Joy City	Residential	9,300	98	10,500
26	Hangzhou Starry Upper City	Residential	91,700	1,436	15,700
27	Hangzhou Victory Center	Commercial	4,800	143	29,800
28	Hangzhou Crystal City	Residential	24,800	531	21,400
29	Suzhou Paradiso Pavilion	Residential	7,100	62	8,700
30	Suzhou Starry Pavilion	Residential	147,900	1,952	13,200
	Subtotal (Yangtze River Delta)		**331,800**	**4,565**	**13,800**
31	Wuhan Starry Winking	Residential	12,700	308	24,300
32	Wuhan Starry Emperor	Residential	108,000	1,379	12,800
33	Wuhan International Financial City	Residential, commercial	36,700	1,159	31,600
	Subtotal (Central China Region)		**157,400**	**2,846**	**18,100**
34	Shenyang Starry Winking	Residential	14,900	184	12,300
35	Shenyang Starry Blue Sea	Residential	5,200	95	18,300
36	Yantai Starry Golden Sands	Residential	41,500	246	5,900
37	Yantai Starry Phoenix	Residential	700	4	5,700
38	Qingdao Starry Blue Bay	Residential	163,900	1,479	9,000
	Subtotal (Bohai Rim)		**226,200**	**2,008**	**8,900**
	Total		**2,164,000**	**27,617**	**12,800**

LANDBANK

As of 23 February 2017, the Group has newly acquired 11 land parcels mainly located in Guangzhou, Hangzhou, Wuhan and Qingdao, with total GFA of approximately 4.21 million sq.m.. In terms of the attributable interest to the Group, the total GFA was approximately 2.04 million sq.m., and the land premium was approximately RMB10.58 billion.

As of 23 February 2017, land parcels newly acquired are summarized as follows:

No.	Project	Equity holding	Site Area (sq.m.)	Total GFA (sq.m.)	Attributable GFA (sq.m.)
1	Guangzhou Baiyun Tangcha Road Land II	15.9%	9,100	53,700	8,500
2	Nansha Phase 10 Land	95.0%	341,500	941,700	894,600
3	Nansha Tantou Land	6.8%	65,800	270,300	18,400
4	Hangzhou Crystal City	28.6%	34,200	125,200	35,800
5	Hangzhou Jianggan Niutian Land	95.0%	23,600	76,900	73,100
6	Hangzhou Genbei New Town East Land	32.0%	108,400	333,300	106,700
7	Suzhou Taicang Xiangdong Island Land	47.5%	648,000	936,000	444,600
8	Wuhan Wuchang Zhongbei Road Land	51.4%	10,900	55,800	28,700
9	Wuhan Yangsi Port Land	12.3%	182,900	1,107,800	136,300
10	Jiangmen Starry Regal Court	95.4%	80,100	170,800	162,900
11	Qingdao Yuexiu Infinite Mansion	95.1%	60,600	138,100	131,300
	Total		**1,565,100**	**4,209,600**	**2,040,900**

As of 23 February 2017, the landbank of the Group reached approximately 14.62 million sq.m. with a total of 39 projects in 12 cities in China and the regional layout continued to improve. In terms of the attributable interest to the Group, the total landbank was approximately 9.66 million sq.m.. In terms of regional composition, Guangzhou accounted for approximately 40.5% of the total landbank, Pearl River Delta (excluding Guangzhou) accounted for approximately 12.1%, Yangtze River Delta accounted for approximately 21.4%, Central China Region accounted for approximately 16.2%, Bohai Rim accounted for approximately 8.6%, Hainan accounted for approximately 0.7% and Hong Kong accounted for approximately 0.5%.

Landbank is summarized as follows:

No	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
1	Guangzhou Asia Pacific Century Plaza	216,300	216,300	—
2	Guangzhou Starry Golden Sands	3,000	3,000	—
3	Guangzhou Starry Sky City	688,200	259,500	428,700
4	Guangzhou Yuexiu Starry Haizhu Bay	776,800	395,800	381,000
5	Guangzhou Greenland Yuexiu Haiyue	237,900	237,900	—
6	Nansha Southern Le Sand	1,636,000	1,040,300	595,700
7	Nansha Phase 10 Land	941,700	251,300	690,400
8	Nansha Tantou Land	270,300	—	270,300
9	Guangzhou Haizhu Nanzhou Road Land	152,600	—	152,600
10	Guangzhou Yuexiu Poly Aite City	639,900	443,000	196,900
11	Guangzhou Poly Purple Cloud (formerly known as Guangzhou Baiyun Tangcha Road Land)	298,000	150,400	147,600
	Other projects	63,600	63,400	200
	Subtotal (Guangzhou)	**5,924,300**	**3,060,900**	**2,863,400**
12	Jiangmen Starry Regal Court	228,300	228,300	—
13	Jiangmen Xijiang Mansion	228,800	228,800	—
14	Jiangmen Xijiang Joy Mansion	239,900	239,900	—
15	Zhongshan Starry Winking	152,100	152,100	—
16	Zhongshan Starry Peakfield	350,400	194,000	156,400
17	Zhongshan Paradiso Jadin	237,300	237,300	—
18	Foshan Paradiso Power	226,000	226,000	—
19	Foshan Lingnan Junting	102,600	86,200	16,400
	Subtotal (Pearl River Delta ex. Guangzhou)	**1,765,400**	**1,592,600**	**172,800**
20	Hangzhou Starry City	1,401,100	321,800	1,079,300
21	Hangzhou Victory Center	71,400	71,400	—
22	Hangzhou Crystal City	125,200	125,200	—
23	Hangzhou Jianggan Niutian Land	76,900	76,900	—
24	Hangzhou Genbei New Town East Land	333,300	—	333,300
25	Suzhou Starry Pavilion	180,200	180,200	—
26	Suzhou Taicang Xiangdong Island Land	936,000	—	936,000
	Subtotal (Yangtze River Delta)	**3,124,100**	**775,500**	**2,348,600**
27	Wuhan Starry Winking	129,600	129,600	—
28	Wuhan Starry Emperor	190,000	190,000	—
29	Wuhan International Financial City	889,800	889,800	—
30	Wuhan Wuchang Zhongbei Road Land	55,800	—	55,800
31	Wuhan Yangsi Port Land	1,107,800	—	1,107,800
	Subtotal (Central China Region)	**2,373,000**	**1,209,400**	**1,163,600**

No.	Project	Landbank GFA (sq.m.)	PUD GFA (sq.m.)	PFD GFA (sq.m.)
32	Shenyang Yuexiu Hill Lake	251,800	—	251,800
33	Shenyang Starry Winking	394,300	40,800	353,500
34	Shenyang Starry Blue Sea	9,800	9,800	—
35	Yantai Starry Golden Sands	215,000	215,000	—
36	Qingdao Starry Blue Bay	248,200	248,200	—
37	Qingdao Yuexiu Infinite Mansion	138,100	138,100	—
	Subtotal (Bohai Rim)	**1,257,200**	**651,900**	**605,300**
38	Hainan Simapo Island Land	100,400	6,000	94,400
	Subtotal (China)	**14,882,300**	**7,296,300**	**7,586,000**
39	Hong Kong Yau Tong Project	73,400	—	73,400
	Subtotal (Hong Kong)	**73,400**	—	**73,400**
	Total	**14,617,800**	**7,296,300**	**7,321,500**

CONSTRUCTION PROGRESS

In the development of residential properties, the Group follows market cycle and speeds up turnover to enhance the development efficiency. Project development was progressing as scheduled. To accelerate sales and satisfy the new strong demand of the market, new commencement of construction, completion and delivery were in line with the Group's schedule.

New commencement of construction, completion and delivery are summarized as follows:

Construction progress	Actual GFA In 2016 (sq.m.)	Planned GFA for 2017 (sq.m.)
New commencement of construction	3,033,700	**2,420,400**
Completion	3,263,700	**2,367,000**
Delivery	1,841,100	**1,914,100**

INVESTMENT PROPERTIES

As at 31 December 2016, the Group owned investment properties under lease of approximately 0.88 million sq.m. in total, of which offices, commercial properties, car parks and others accounted for approximately 33.1%, 50.0% and 16.9%, respectively. The Group recorded the rental revenue of approximately RMB0.52 billion in 2016, representing a year-on-year increase of 85.2%, which was mainly due to the increase in rental revenue of Yuexiu Financial Tower.

In 2016, the Group recorded net fair value losses on revaluation of investment properties of approximately RMB0.31 billion. During the year, the fair value gain on revaluation of Yuexiu Financial Tower was approximately RMB0.27 billion. Due to the lower-than-expected operation performance, the fair value losses on revaluation of Guangzhou Fortune World Plaza and Foshan Starry Winking (佛山星匯雲錦) for the year were approximately RMB0.38 billion and RMB0.22 billion respectively.

OTHER GAINS, NET

In 2016, the Group's net other gains was approximately RMB1.06 billion, representing a year-on-year increase of 828.9%. The increase resulted from the gain on disposal of a hotel of approximately RMB0.23 billion, profits before tax of approximately RMB0.37 billion from disposal of 51% equity interests held in an indirect wholly-owned subsidiary and the fair value gain of approximately RMB0.36 billion from re-measurement of the remaining 49% equity interests held by the Group in accordance with relevant accounting principles record by the Group in 2016.

SELLING AND MARKETING COSTS

In 2016, the Group's selling and marketing costs amounted to approximately RMB0.61 billion, representing a year-on-year decrease of 15.1%. The Group has all along endeavored to execute effective sales plans and kept control on its selling and marketing costs to an appropriate level. The selling and marketing costs accounted for 2.0% of the contracted sales for the year, reduced by 0.9 percentage point as compared to 2.9% of the previous year.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group amounted to approximately RMB0.88 billion, representing a year-on-year decrease of 0.8%. The Group continued to strengthen controls over expenses and strictly follow the annual expenses budget. Administrative expenses accounted for 2.9% of the contracted sales of this year, reduced by 0.7 percentage point as compared to 3.6% of the previous year.

FINANCE COSTS

In 2016, the interest expenses of the Group amounted to approximately RMB2.06 billion in aggregate. The interest expenses of bank borrowings and bonds amounted to RMB1.78 billion, decreased by RMB0.05 billion as compared to 2015 due to the decrease of the average borrowing interest rate. In addition, the interest expenses of amount due to an intermediate holding company and a non-controlling shareholder of a subsidiary amounted to approximately RMB0.26 billion in total, representing an increase of RMB0.26 billion as compared to 2015. The average effective borrowing interest rate for the year decreased to 4.64% per annum from 4.95% per annum for 2015.

RMB depreciated from the second half of 2015 and such depreciation trend continued during 2016. The exchange rate of RMB against USD dropped by 6.8% as compared to that at the beginning of 2016. The Group's revenue was mainly derived in RMB. During the year, the foreign exchange loss with respect to the Group's USD and HKD borrowings amounted to approximately RMB0.18 billion and the foreign exchange gain with respect to the Group's bank deposit in foreign currencies amounted to approximately RMB0.04 billion. The net foreign exchange loss amounted to approximately RMB0.14 billion, representing a decrease of 86.4% from RMB1.02 billion for 2015.

The interest expenses and net foreign exchange loss during the year amounted to approximately RMB2.20 billion in total. According to the relevant requirements of the Hong Kong Accounting Standards, the capitalised interest expenses for the year amounted to approximately RMB1.25 billion and the capitalised foreign exchange loss amounted to approximately RMB0.18 billion, totaling approximately RMB1.43 billion. Finance costs (excluding loss on extinguishment of financial liabilities) recorded in the income statement were approximately RMB0.77 billion.

Moreover, the Group actively reduced the foreign exchange exposure and the percentage of foreign currency borrowings. The amortized expenses on such early redemption of part of borrowings denominated in HKD and USD amounted to RMB0.13 billion during the year.

The finance costs during the year were approximately RMB0.90 billion in total, representing a year-on-year decrease of 20.0%.

SHARE OF PROFIT FROM ASSOCIATED ENTITIES

During the year, the overall net contribution from associated entities attributable to the Group increased by 19.2% to approximately RMB0.39 billion as compared to 2015. This mainly consisted of the profit contribution and deferred fund unit gains recognised during the year from the Yuexiu Real Estate Investment Trust ("Yuexiu REIT").

The total amount of distribution by Yuexiu REIT for 2016 increased by 17.1% to approximately RMB0.82 billion as compared to the previous year. As such, the Group's corresponding share of cash distribution amounted to approximately RMB0.32 billion.

BASIC EARNINGS PER SHARE

For the year ended 31 December 2016, basic earnings per share (calculated by the weighted average number of ordinary shares in issue) attributable to the equity holders of the Company were RMB0.1242 (2015: RMB0.0817).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend for 2016 of HKD0.032 per share which is equivalent to RMB0.028 per share (2015: HKD0.019 per share which was equivalent to RMB0.016 per share) payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 16 June 2017. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2017. Together with the interim dividend of HKD0.033 per share which was equivalent to approximately RMB0.028 per share, total dividends for the year ended 31 December 2016 will amount to HKD0.065 per share which is equivalent to approximately RMB0.056 per share.

Dividends payable to shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD to RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

BONDS ISSUED

On 27 July 2016, Guangzhou City Construction & Development Co. Ltd ("GZCCD") resolved to issue long-term, unsecured, guaranteed, fixed interest rate bonds up to a maximum aggregate principal amount of RMB8,000,000,000 to qualified investors at an interest rate between 2.8% to 3.9%, determined by market conditions from time to time. The maturity of bonds will be between three to seven years and the net proceeds from the issuance will be utilised for repaying bank borrowings of and working capital of the Group.

As at 31 December 2016, GZCCD issued the bonds to qualified investors for an aggregated principal of RMB8,000,000,000 at the interest rate between 2.95% to 3.19% per annum, in which an aggregate principal of RMB1,000,000,000, RMB4,000,000,000, RMB2,500,000,000 and RMB500,000,000 will mature in 2019, 2021, 2022 and 2023, respectively. The balance of the corporate bonds of GZCCD is included in Note 35 to the financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

Cash receipts from operating activities and committed banking facilities are the main liquidity sources to the Group. The Group has always adhered to prudent financial management principles, emphasized on funding management and risk control, established an ongoing monitoring system to tackle the rapid market changes, ensured healthy and adequate liquidity and secured the business development. While the Group continues to maintain a good relationship with commercial banks in Mainland China and Hong Kong, it also adheres to explore more funding channels, optimizes the capital structure and lowers the funding costs, enhances the ability to protect its resources, and enhances its capacity to overcome risks.

For the year ended 31 December 2016, the bank financing of the Group was approximately RMB27.31 billion, of which onshore bank financing amounted to approximately RMB20.64 billion and offshore bank financing amounted to approximately RMB6.67 billion. As at 31 December 2016, the total borrowings amounted to approximately RMB40.29 billion (2015: RMB38.16 billion), cash and cash equivalents and charged bank deposits amounted to approximately RMB22.02 billion and the net gearing ratio was 53.1%. Borrowings with maturity within one year accounted for approximately 17% of the borrowings (2015: 14%), and fixed notes accounted for approximately 34% of the total borrowings (2015: 19%). Due to the decrease of the interest rate of onshore borrowing, for the year, the Group's average borrowings cost for the period was 4.64% per annum, decreased by 0.31 percentage points as compared to 4.95% per annum for the year of 2015.

As at 31 December 2016, among the Group's total debts, approximately 63% was RMB denominated bank borrowings (2015: 47%), 1% was Hong Kong dollars denominated bank borrowings (2015: 34%), 14% was Hong Kong and US dollars denominated medium to long term notes (2015: 19%), 20% was RMB denominated medium to long term notes (2015: nil) and 2% was RMB denominated borrowings from an intermediate holding company. (2015: nil).

WORKING CAPITAL

As at 31 December 2016, the Group's working capital (current assets less current liabilities) amounted to approximately RMB39.40 billion (2015: approximately RMB40.20 billion). The Group's current ratio (current assets over current liabilities) was 1.7 times (2015: 1.9 times). Cash and cash equivalents amounted to approximately RMB17.69 billion (2015: RMB9.55 billion). Charged bank deposits amounted to approximately RMB4.33 billion (2015: RMB5.62 billion). Undrawn committed bank facilities amounted to approximately RMB8.59 billion.

CAPITAL AND FINANCIAL STRUCTURE ANALYSIS

The Group's debts are summarized as follow:

	2016 **RMB'000**	2015 RMB'000
Bank borrowings and notes		
Denominated in RMB	**33,534,214**	17,775,292
Denominated in HKD	**2,413,163**	13,324,241
Denominated in USD	**3,444,222**	7,065,162
Total bank borrowings and bonds	**39,391,599**	38,164,695
Borrowings from an intermediate holding company	**901,359**	—
Finance lease obligations	**264**	183
Overdrafts	**53**	63
Total debts	**40,293,275**	38,164,941
Ageing analysis:		
Within one year	**6,778,340**	5,511,795
In the second year	**3,964,758**	14,689,458
In the third to fifth year	**17,274,860**	11,079,091
Beyond five years	**12,275,317**	6,884,597
Total borrowings	**40,293,275**	38,164,941
Less: Cash and cash equivalents	**(17,691,428)**	(9,545,548)
Net borrowings	**22,601,847**	28,619,393
Total equity	**34,385,877**	31,466,204
Total capitalization	**56,987,724**	60,085,597
Gearing ratio	**39.7%**	47.6%

INTEREST RATE EXPOSURE

The Group's major interest rate exposure is derived from loans and deposits denominated in Renminbi, Hong Kong dollars and US dollars. As of 31 December 2016, among the total borrowings of the Group, approximately 23% was floating rate bank loans denominated in Renminbi, approximately 1% was floating rate bank loans denominated in Hong Kong dollars, approximately 40% was fixed rate bank loans denominated in Renminbi, approximately 20% was medium to long term bonds denominated in Renminbi, approximately 14% was medium to long term fixed rate notes denominated in US dollars/Hong Kong dollars, and approximately 2% was fixed rate borrowings from an intermediate holding company denominated in Renminbi. Having considered the currencies and structural composition of loans, the Group did not enter into any arrangement of interest rate hedging instruments during the reporting year. The average borrowing interest rate decreased from 4.95% in 2015 to 4.64% in 2016. In the second half of 2016, GZCCD, a subsidiary of the Group, issued corporate bonds in an aggregate amount of RMB8 billion to qualified investors in China by public offering for the first time in three tranches with a weighted average coupon rate of 2.9963%, which was favourable when compared with the relevant costs of similar bond issuance in the market during the same period. The issuance provided the Group with fixed rate funds at a low cost and reduced the overall financing cost of the Group.

With respect to the Renminbi loan interest rates, the People's Bank of China ("PBOC") has cut interest rates and reduced reserve requirement ratios (RRR) continually since November 2014. The one-year benchmark interest rate went down from 5.6% to the current level of 4.35%. It is generally expected in the market that the interest rate of Renminbi will continue to remain at a relatively low level in 2017.

With respect to the loan interest rates of US dollars and Hong Kong dollars, it is expected in the market that the U.S. economic recovery will accelerate. The US Federal Reserve raised interest rate again in December 2016 after the interest rate hike in December 2015. It is expected in the market that in 2017 the US Federal Reserve will raise interest rate two to three times at the pace of approximately 0.25% each time. It is estimated that the loan interest rates of Hong Kong dollars will follow the change of US dollars interest rates with slight delay in terms of timing.

At present, the global economy and the financial environment are unstable and the economy growth of China has slowed down. The Group anticipates that Renminbi loan interest rates will remain at a low level in 2017. On the other hand, it is expected that the US dollar loan interest rates will rise with improvements in employment and annual average consumption as well as inflation reaching a given level in the United States. It is generally estimated that the interest rates spread between onshore and offshore borrowings would further narrow down.

Currently, the proportion of the loans denominated in Renminbi and foreign currencies of the Group is 85:15. It is estimated that the decline of Renminbi interest rates and the increase in US dollars interest rates will not have any material adverse effects on the overall financial position of the Group. As a result, the Group has made no hedging against exposure to interest rate risk. However, the Group will continue to closely monitor the changes of onshore and offshore interest rates and adopt appropriate hedging to effectively manage its interest rate risk exposure in a timely manner.

FOREIGN EXCHANGE EXPOSURE

During the reporting year, the global economy was unstable. The economic growth of China slowed down. The United Kingdom voted to leave the European Union. The financial market became volatile. After the US Election, it was expected in the market that the US economy would get stronger and the exchange rate of RMB against United States dollars would show a downward trend. It was generally expected in the market that Renminbi would depreciate further against the US dollar during the year.

Since the main business operations of the Group are conducted in Mainland China, its income is primarily in Renminbi. The Group has foreign currency denominated financing and is thus exposed to foreign exchange risk. Since 2016, the Group has actively adopted various measures to narrow down the foreign exchange exposure and reduce risk. As at 31 December 2016, approximately 14.5% (53.4% at the beginning of the year) of the total borrowings of the Group were borrowings denominated in foreign currencies, among which approximately HKD0.42 billion (equivalent to approximately RMB0.38 billion) were bank borrowings denominated in Hong Kong dollars, approximately USD0.50 billion (equivalent to approximately RMB3.44 billion) were medium to long term notes denominated in US dollars, and approximately HKD2.30 billion (equivalent to approximately RMB2.03 billion) were medium to long term notes denominated in Hong Kong dollars. As at 31 December 2016, the middle rate of onshore Renminbi against Hong Kong dollars dropped by 6.8% as compared to the exchange rate as at 31 December 2015 and a net exchange loss of RMB0.14 billion was recorded for this period, out of which approximately RMB0.18 billion of exchange loss was capitalised and RMB0.04 billion was treated as the net exchange gain in the consolidated income statement.

In 2016, the Group arranged for Renminbi funds to refinance foreign currency denominated borrowings (equivalent to HKD17.8 billion). The foreign currency denominated borrowings decreased by 71%. A match in essence between remaining foreign currency denominated loans and the existing offshore assets has been achieved and thus the impact of foreign exchange exposure on consolidated income statement has been basically eliminated.

The Group will continue to strengthen its research and tracking on the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, adjust and optimize the structure of onshore and offshore debts and control the foreign exchange exposure. The Group will consider using suitable financial instruments to manage foreign exchange exposure when costs are reasonable.

COMMITMENTS FOR PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2016, the Group's capital commitments in respect of purchases of property, plant and equipment amounted to approximately RMB1.85 billion (2015: RMB2.02 billion).

CONTINGENT LIABILITIES

The Group arranged bank loans for certain purchasers of the Group's properties for sale in Mainland China and provided transitional guarantees in respect of the performance of loan repayment liabilities. Pursuant to the terms of the guarantee contracts, upon default in repayments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest in performing its liabilities under the guarantee. Notwithstanding that, the Group owns the legal title of such pledged properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates. As of 31 December 2016, the total contingent liabilities relating to these guarantees amounted to approximately RMB11.30 billion (2015: RMB11.41 billion).

As at 31 December 2016, certain subsidiaries of the Group provided guarantee of approximately RMB0.25 billion (2015: Nil) in respect of loans borrowed by joint ventures of the Group. And certain subsidiaries of the Group jointly and severally provided guarantee of approximately RMB2.36 billion (2015: RMB2.36 billion) in respect of the syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after the full repayment of the syndicated loan. The syndicated loan was fully repaid in 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 6,550 employees (31 December 2015: 7,080 employees). The Group offers its employees reasonable remuneration in accordance with industry practice. Salary increment and promotion of employees are based on performance and achievements. In the meantime, the Group provides employees with other benefits, such as mandatory provident funds, medical insurance, educational allowances and professional training. On 2 December 2016, the Group adopted the Share Incentive Scheme, which will (i) provide the selected senior management participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals to work with the Company; and (iii) provide additional incentive for them to achieve performance goals and promote the pursuit of long-term interests of the Company and its shareholders, with a view to achieving the objective of aligning the interests of the selected senior management participants with those of the shareholders of the Company. Details of the Share Incentive Scheme have been disclosed in the announcement dated 2 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

To better integrate the concept of social responsibility into the Group's strategies and decisions and to further direct its social work practice, the Group set up a social responsibility committee lead by the management. Under its guidance, the Group has established a social responsibility management system that conforms to its own business development and integrated environment protection and social responsibility into development strategies. The Group complies with the relevant environmental laws and regulations, sets out relevant environmental policies, meanwhile adopts effective measure to achieve energy saving and emission reduction as well as waste disposal, so as to minimize wasting and increase recycling. It has also encouraged staffs to coordinate actively to jointly realize the sustainable development of the Group.

The Group regards governmental authorities, the media, shareholders and potential investors, customers, staffs, suppliers and communities as the important stakeholders. For the sake of the mission of social responsibility and the core values, the Group actively pays attention to the appeals from the stakeholders, conducts timely communication and appropriate response and formulates tackling measure during business operation process. The Group has conducted specific survey and research on over 100 stakeholders about the environmental, social and governance issues during this year, the findings of which become the significant cornerstone for the sustainable development of the Group. By communication and coordination with the stakeholders, the Group pays active attention to the stakeholders' expectation on environmental, social and governance areas, so as to achieve high-quality, effective and sustainable growth.

For more information about the environmental, social and governance performance of the Group during the reporting year, please refer to the forthcoming independent environmental, social and governance reports to be issued. Welcome to read or download the report on the Group's website upon its issuance.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain loan agreements of the Company ("Loan Agreements") respectively include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited, the controlling shareholder of the Company, or (as the case may be) Guangzhou Yue Xiu Holdings Limited, the ultimate controlling shareholder of the Company:

(i) the controlling shareholder remains to be the single largest beneficial shareholder of the Company;

(ii) the controlling shareholder maintains a shareholding interest of not less than 35% in the issued voting shares of the Company;

(iii) the controlling shareholder maintains effective management control over the Company.

As at 31 December 2016, the aggregate balance of the loans provided in Renminbi was RMB7,382,100,000. Such Loan Agreements will expire from 27 March 2017 to 30 May 2019.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

On 24 January 2013, the Company issued USD350 million 3.25 per cent. notes due 2018 (the "2018 Notes") and USD500 million 4.50 per cent. notes due 2023 (the "2023 Notes") to investors under a USD2,000 million medium term note programme established on 11 January 2013. The Company has completed the redemption and cancellation of all the 2018 Notes. Since 17 August 2016, there are no outstanding 2018 Notes in issue. With effect from 29 December 2016, (i) the Company has substituted in its place Leading Affluence Limited, a wholly-owned subsidiary of the Company, as the issuer and the principal debtor in respect of the 2023 Notes; and (ii) the 2023 Notes are unconditionally and irrevocably guaranteed by the Company. Pursuant to the terms and conditions of the programme, Guangzhou Yue Xiu Holdings Limited is required to maintain control (as defined in the announcement dated 17 January 2013) of the Company. Breach of the above obligation will cause a default under the terms and conditions whereby the noteholders are entitled to exercise their change of control put options.

These obligations have been duly complied with for the year ended 31 December 2016.

PROPERTY DEVELOPMENT

REGION	Proportion	GFA (sq.m.)
Guangzhou	**40.5%**	**5,924,300**
Pearl River Delta (excluding Guangzhou)	**12.1%**	**1,765,400**
Zhongshan	5.1%	739,800
Jiangmen	4.8%	697,000
Foshan	2.2%	328,600
Bohai Rim Region	**8.6%**	**1,257,200**
Yantai	1.5%	215,000
Shenyang	4.5%	655,900
Qingdao	2.6%	386,300
Yangtze River Delta	**21.4%**	**3,124,100**
Hangzhou	13.8%	2,007,900
Suzhou	7.6%	1,116,200
Central China Region	**16.2%**	**2,373,000**
Wuhan	16.2%	2,373,000
Hainan	**0.7%**	**100,400**
Haikou	0.7%	100,400
Hong Kong	**0.5%**	**73,400**
TOTAL	**100%**	**14,617,800**

DEVELOPMENT STAGE	Proportion	GFA (sq.m.)
PUD	49.9%	7,296,300
PFD	50.1%	7,321,500


Bohai Rim
Shenyang
Qingdao
Yantai
Yangtze River Delta
Hangzhou
Suzhou
Central China Region
Wuhan
Pearl River Delta & Hong Kong
Guangzhou
Jiangmen
Zhongshan
Foshan
Hong Kong
Hainan
Haikou

GUANGDONG

1. GUANGZHOU STARRY WENHUA
2. GUANGZHOU STARRY CULLINAN
3. GUANGZHOU STARRY HAIZHU BAY
4. NANSHA SOUTHERN LE SAND
5. ZHONGSHAN STARRY PEAKFIELD
6. NANHAI STARRY WINKING


3
6
5

OUTSIDE GUANGDONG

1. WUHAN INTERNATIONAL FINANCIAL CITY
2. WUHAN STARRY EMPEROR
3. HANZHOU STARRY CITY
4. HANZHOU STARRY UPPER CITY
5. QINGDAO STARRY BLUE BAY
6. SHENYANG YUEXIU HILL LAKE


3
2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GUANGZHOU

Guangzhou Yuexiu Starry Haizhu Bay (廣州星匯海珠灣) is located in the western part of the Haizhu District, Guangzhou, Guangdong Province, adjacent to the Pearl River with abundant resources. There are comprehensive services and facilities provided in the surrounding areas, providing an excellent living environment. Transportation network nearby the project is convenient, with close proximity to Yangang Station of Guangfo Metro Line Phase 2, as well as Nanshi Lu Station of Metro Line 11 which is at its planning stage. The region where the project is situated has been positioned as the "Engine of Haizhu West, and the Harbour of Vitality in Guangzhou and Foshan". The region shall be developed to become a key production area in Guangzhou, a promenade for quality living in Guangzhou and Foshan, and key service centre in the western coast of Pearl River Delta. Given the apparent locational advantages, there is great development potential.

GUANGZHOU
STARRY HAIZHU BAY

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 776,800 SQ.M.
LAUNCH YEAR: 2016

GUANGZHOU
YUEXIU GREENLAND HAIYUE

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 237,900 SQ.M.
LAUNCH YEAR: 2016

Guangzhou Yuexiu Greenland Haiyue (廣州越秀綠地海玥) and Guangzhou Starry Haizhu Bay are both located in the western part of the Haizhu District, Guangzhou, Guangdong Province, adjacent to the Pearl River with abundant resources. There are comprehensive services and facilities provided in the surrounding areas, providing an excellent living environment. The region where the project is situated has been positioned as the "Engine of Haizhu West, and the Harbour of Vitality in Guangzhou and Foshan". The region shall be developed to become a key production area in Guangzhou, a promenade for quality living in Guangzhou and Foshan, and key service centre in the western coast of Pearl River Delta. Given the apparent locational advantages, there is great development potential. This project is jointly developed by the Group and Greenland Group, a Fortune 500 company, which leverage effectively on the resource advantages and brand names of both the Group and Greenland Group.

Guangzhou Starry Sky City (廣州星匯雲城) is located in Tonghe area, which is the downtown area of Baiyun District, Guangzhou City. The project enjoys convenient public transport as it is situated at the interchange of Guangzhou Avenue North and the third phase of Huanan Expressway. In addition to being accessible by a well-developed network of roads, Guangzhou Starry Sky City can also be reached by the mass transit railway as it is adjacent to the Tonghe station on Guangzhou Metro's Line No.3. The project is surrounded by hills on three sides and affords the residents a scenic view and a comfortable living environment. 30 high-rise residential buildings will be built in the project and a commercial street with leisure and catering facilities, kindergartens and primary schools will be built on the southern part of the site of the project to meet the residents' various needs. The project is located in the northern extension area of Guangzhou along a north-south axis that runs through the centre of the city. As the extension area's commercial and residential property development is maturing, the project is a promising investment.

GUANGZHOU
STARRY SKY CITY

RESIDENTIAL PROJECT
GFA: 688,200 SQ.M.
LAUNCH YEAR: 2016

Guangzhou Yuexiu Poly Aite City (廣州越秀保利愛特城) is jointly developed by the Group and Guangdong Poly Property Development Limited. The project is located at Yunpu Industrial Zone, Luogang District, Guangzhou City, Guangdong Province. The project is highly accessible as it is close to the two arteries, Guangshen Expressway and Guangyuan Expressway, which link the city to other major cities. It only takes a 30 minutes' drive to go from the project to the city centre of Tianhe district, Guangzhou. The project is situated in a scenic and pleasant living environment as it is surrounded by natural landscapes with rich resources. There are large residential communities developed by well-known property developers nearby. The area where the project is located has been planned to be Shanshui New Town at the eastern part of Guangzhou, and will become a primary area where the increased population of Guangzhou will be resettled in the future, bringing a good prospect for development.

GUANGZHOU
YUEXIU POLY AITE CITY

RESIDENTIAL PROJECT
GFA: 639,900 SQ.M.

GUANGZHOU

Located in Nansha District, Guangzhou, Nansha Southern Le Sand (南沙濱海花園) is a matured large-scale development created by the Group after 10 years of refinement. It is a new marina zone integrating waterfront living, leisure, resort, investment and business. Commercial facilities include commercial pedestrian streets, commercial office buildings, large-scale shopping malls, and super 5-star hotels, etc. In 2014, the Nansha District was officially confirmed to be a key constituent of the Guangdong Free Trade Zone, and in 2016, the Nansha District was designated as the "Secondary City Centre" by the Guangzhou municipal government, creating favourable future prospects for Southern Le Sand.

GUANGZHOU
NANSHA SOUTHERN LE SAND

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 1,636,000 SQ.M.

GUANGZHOU
YUEXIU FINANCIAL TOWER

COMMERCIAL PROJECT

Yuexiu Financial Tower (越秀金融大廈) is located on the central axis of Zhujiang New Town of Guangzhou CBD and is positioned as an international grade-A office building. With a height of 310 meters and 68 storeys above ground, Yuexiu Financial Tower is another international grade-A office building developed by the Group after completion of Guangzhou International Finance Center. The construction, design and service management of this project, which are fully implemented in accordance with stringent international standards, highlight its international business image and high-end positioning. The project started fully operation in 2015 and attracted the attention of various premium tenants. The project won the "National 3-star Green Building Design Label" from the Ministry of Housing and Urban-Rural Development and became the representative of greening buildings.

FOSHAN & JIANGMEN

Located at Chancheng District of Foshan City in Guangdong Province, Foshan Paradiso Power(佛山可逸新勢力) enjoys convenient transportation at the junction of two major roads in the city – Shidong Road and Foping Road. The project sits at a prime location within the mature Foshan Tour Mall commercial district, which is surrounded by well-established shopping, leisure, entertainment and catering facilities. Lifestyle needs are well-served given its proximity to educational institutions such as kindergartens, primary and secondary schools, as well as two major hospitals and other public facilities.

FOSHAN
PARADISO POWER

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 226,000 SQ.M.
LAUNCH YEAR: 2016

JIANGMEN
XIJIANG MANSION

RESIDENTIAL PROJECT
GFA: 228,800 SQ.M.
LAUNCH YEAR: 2016

Jiangmen Xijiang Mansion (江門西江御府) is located in the densely populated, old town of Jiangmen City, Guangdong Province, with convenient transportation and well-developed urban facilities for education, healthcare, and commerce. Near to the Xijiang River, it is a rare property project which enjoys both a scenic riparian view and an old town's core resources. Jiangmen Xijiang Mansion is the first jointly-developed project by the Group and Country Garden. Thoroughly utilizing the resources of both sides in the joint venture, the project successfully realized the high turnover strategy of launching for sale in half a year after land acquisition.

ZHONGSHAN & WUHAN

Located in Dongsheng Town of Zhongshan City, Guangdong Province, Zhongshan Paradiso Jardin (中山可逸豪苑) is next to Zhongshan's arterial road – the National Highway 105. Modelled on a royal garden, the spacious project is equipped with amenities, including a swimming pool, a fitness club, other leisure facilities and shops which fully satisfy residential, lifestyle, shopping, leisure and entertainment needs, bringing quality living to people.

ZHONGSHAN PARADISO JARDIN

RESIDENTIAL PROJECT
GFA: 237,300 SQ.M.

WUHAN STARRY WINKING

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 129,600 SQ.M.

Wuhan Starry Winking (武漢星匯雲錦) is located at the junction of Jinghan Avenue and Qiaokou Road in the Qiaokou District in Wuhan City, Hubei Province. The location is a core land plot of the "Han River Ecological Business Zone", which was planned by the Wuhan Municipal Government, linking seamlessly with the No. 1 Light Rail Line of Wuhan, and it takes about 5 minutes to travel to Wuchang District and Hanyang District. The project comprises a grade A office tower which is over 300 meters tall, a top class commercial shopping mall and a number of boutique high-end apartment blocks which are over 130 meters tall. Starry Victoria Shopping Center, the shopping mall of Wuhan Starry Winking, opened in 2015, brings international stylish brands, Chinese and Western cuisines, world-class supermarkets, international cinema and entertainment and leisure facilities under one roof.

Wuhan International Financial City (武漢國際金融匯) is located at the center of Wuhan City, Hubei Province, which is surrounded by Jiefang Avenue, Xinhua Road, Jingwu 4th Road, Jingwu East Road, Jianghan North Road and Jingwu 1st Road. The business circle in which the project located is in the traditional commercial core zone of Wuhan, and is surrounded by premium office buildings and retail shopping mall complexes, creating a bustling business atmosphere. Meanwhile, it is in close proximity to the Zhongshan Park and Xunli Men stations of the Wuhan Metro Line No.2, and is also near Zhongshan Park and Sports Centre, with well-equipped facilities. It plans to construct a city complex mainly housing the commercial streets, luxury hotels, high-end office buildings and residential units, aiming to become a new landmark of premium properties in Wuhan.

WUHAN
INTERNATIONAL FINANCIAL CITY

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 889,800 SQ.M.

WUHAN
STARRY EMPEROR

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 190,000 SQ.M.

Wuhan Starry Emperor (武漢星匯君泊) is located in Jiang'an District, Wuhan City. It is a metropolitan complex project, including 4 blocks of office buildings with a height of 100 to 140 meters and 2-3 storey commercial podiums as well as 16 blocks of 10-32 storey high-rise apartments. The Tazi Lake near the project is the largest lake in city in the Hankou region with clear water, a beautiful environment and a comfortable living environment. The transportation is convenient as the land parcel is just 10 minutes' drive from the center of Wuhan City and it is adjacent to the Wuhan Metro Line No.8 which is under construction. In addition, there are established ancillary facilities, with schools, hospitals and large supermarkets nearby the project.

HANGZHOU

Hangzhou Starry City (杭 州 星 匯 城) is located in the Qingshan Lake Science and Technology Town on the western side of Hangzhou City, Zhejiang Province. It will be an urban complex with high-end residential units, villas, 5-star hotels, grade-A offices and a large-scale shopping mall. The project is adjacent to the Qiangshan Lake National Forest Park, and it provides a comfortable living environment with clubhouse, swimming pool, schools and hotels. Upon completion, the project will become an innovative and inviting city combing leisure and resort living space, with technological research in innovation. The project is located in the Qingshan Lake Science and Technology Town, which is an important construction for Zhejiang Province to establish a province with outstanding science and technology and innovation. Qingshan Lake Science and Technology Town attracts a number of science and research institutions, high and new technology enterprises and talents of research & development as well as actively develops modern service and comprehensive living project, which brings tremendous development opportunities to Hangzhou Starry City.

HANGZHOU STARRY CITY

RESIDENTIAL & COMMERCIAL PROJECT
GFA: 1,401,100 SQ.M.

HANGZHOU STARRY UPPER CITY

RESIDENTIAL PROJECT

Hangzhou Starry Upper City (杭州星匯尚城) is located at the core development area of Hangzhou City and adjacent to Shangtang Expressway, just 10-minute drive to Hangzhou city center. Given the planned stations of the Hangzhou Metro Line 10 adjacent to it, this project enjoys convenient traffic and significant geographical advantages. Hangzhou Starry Upper City comprises 14 blocks of high-rise apartments and street shops. Outside the community, people can view the beautiful scenery of a branch of the Jinghang Grand Canal. The garden landscape with an area of more than 20,000 sq.m. built inside the community also adds to the beauty of the environment. This project has been surrounded by several large-scale residential projects developed by renowned developers and has attracted famous commercial projects, thus it has great appreciation potential.

SUZHOU & QINGDAO

Suzhou Starry Pavilion (蘇州星匯蘭亭) is located north of Ludi Avenue and west of Meipu River, Huaqiao Development Zone, Suzhou City, Jiangsu Province. It enjoys a geographical advantage as it is situated at the core area of the Huaqiao Development Zone and is adjacent to Jiading District, Shanghai City. The project is next to Ludi Avenue, which is one of the major roads that run through Kunshan and is adjacent to Guangming Road Station of Shanghai Metro Line No.11, enjoying convenient transportation. It is expected that economic development in Shanghai City and Kunshan will drive the development of property markets in areas surrounding the project, with a huge potential for future development. The project is jointly developed by Yuexiu Property and Guangzhou Guangdian Property Development Group Co., Ltd.

SUZHOU
STARRY PAVILION

RESIDENTIAL PROJECT
GFA: 180,200 SQ.M.

QINGDAO
STARRY BLUE BAY

RESIDENTIAL PROJECT
GFA: 248,200 SQ.M.

Qingdao Starry Blue Bay (青島星匯藍灣) is located in the core transportation and business area of Licang District, Qingdao City, Shandong Province and enjoys significant geographical advantages and bright development prospect. To the west of the project is the mother bay of Qingdao City, Jiaozhou Bay. The project enjoys a frontline bayview with a beautiful environment and fresh air. The project is situated within a transportation hub area in Licang District and is close to Qingdao North Train Station as well as Qingdao Metro Line No.3 which is under construction. Meanwhile, with the successive completion of large city complexes and business headquarters around the project and tenant solicitation, ancillary facilities surrounding the project will be more developed gradually.

INVESTOR RELATIONS REPORT

In 2016, the Group timely enhanced and adjusted the communication and recommendation strategies of investor relations through effective and accurate communication to deliver information, such as business performance and the latest developments, to shareholders and investors, and to deepen investors' understanding on the Group.

During the reporting period, the investor relations team also reinforced efforts to provide the Board and the management with feedback from investors to help them better understand investors' opinions on the Group. Meanwhile, executive directors and senior management of the Group also listened to opinions of shareholders and investors directly through attending all kinds of investor relations activities. The Board also listened to work reports on investor relations regularly which contained opinions from investors on the Group's results, on the ways to better improve investor relations services, strengthen communication of information and enhance transparency. Through the above efforts, reference was provided to the Board and the management for the formulation of future operation strategies, hence better creating value for shareholders.

In 2016, the Group maintained close communication with shareholders and investors, released and delivered important information about the Group's operations and development on a timely and accurately basis in various manners such as through roadshows, large-scale investor conferences held by investment banks, one-to-one meetings, conference calls as well as on-site visits to projects in order to strengthen investor's understanding of the Group and establish a good market image. During the year, the Group has organized or participated in nearly 100 meetings and activities on investor relations.

2016 MAJOR INVESTOR RELATIONS ACTIVITIES

Month	Venue	Activity
February	Hong Kog	Yuexiu Property 2015 Annual Results Announcement Conference
March	Hong Kong	Yuexiu Property 2015 Annual Results NDR
March	Singapore	Yuexiu Property 2015 Annual Results NDR
April	Hong Kong	DBS Vickers Pulse of Asia Conference
May	Hong Kong	Macquarie Greater China Investors Conference
May	Hong Kong	Yuexiu Property General Meeting
May	Singapore	7th Annual Access Asia Conference 2016
June	Hong Kong	Yuexiu Property Annual General Meeting
June	Beijing	JP Morgan 12th Annual Global China Summit
June	Hong Kong	Citi's Asia Pacific Property Conference
June	Guangzhou	Analysts Site Visit Tour and Management Meeting
August	Hong Kong	Yuexiu Property 2016 Interim Results Announcement Conference
August	Hong Kong	Yuexiu Property 2016 Interim Results NDR
September	Singapore	Yuexiu Property 2016 Interim Results NDR
September	Tokyo	Mizuho Investment Conference 2016
November	Beijing	Bank of America Merrill Lynch 2016 China Conference
November	Macau	Citi's 11th China Investor Conference 2016
November	Singapore	Morgan Stanley Fifteenth Annual Asia Pacific Summit
November	Hong Kong	Analysts Luncheon
December	Hong Kong	Yuexiu Property General Meeting

In the future, the Group's investor relations team will continue to enhance communication and exchange with shareholders and investors to deliver and communicate the latest information of the Group, to enhance the recognition and confidence of the capital markets on the Group, while reflecting feedback opinions from shareholders and investors to create value for shareholders on continuous basis.

For any enquiries, please send email to ir@yuexiu.com.hk and we will reply as soon as possible according to the relevant laws and regulations. In addition, the website of the Group (www.yuexiuproperty.com) also contains details of business development and operation, financial information, corporate governance and other information of the Group for public inspection.

AWARDS AND RECOGNITIONS

Corporate Governance Gold Award 2016
The Asset Magazine

List Company Award of Excellence 2016
Hong Kong Economic Journal, PR Asia

China Excellent Real Estate Corporation Awards 2016
China Excellent Real Estate Corporation Awards Commission

Best Listing Company Corporate Awards 2016
China Financial Market Magazine

The Group's Annual Report for the Year of 2015 Was Awarded:
ARC Annual Report Awards - Cover Photo/Design: Property Development: Commercial Honor Winner
Galaxy Annual Report Awards - Print: Property Development Honor Winner
Galaxy Annual Report Awards - Design - Bound Publications: Covers – Annual Reports: Artistic/Illustrations Honor Winner
Mercury Annual Report Awards - Overall Presentation: Housing Dev. & Sales Honor Winner
MERCOMM, INC.

The Group's Annual Report for the Year of 2015 Was Awarded:
LACP Vision Awards - Development Industry - Gold Award
LACP Vision Awards - Best Report Financials – Silver Award
LACP Vision Awards - Development Industry - Bronze Award
League of American Communications Professionals (LACP)

Large-scale Development in terms of Comprehensive Strength for 2016
— Guangzhou Starry Sky City
LEJU

The Annual Property with Collection Value of Top China Real Estate for 2016
— Guangzhou Starry Haizhu Bay
ANJUKE

China Real Estate & Home Design Championship for 2016
Top 10 Best Selling Famous Development in Guangzhou
— Nansha Southern Le Sand (Yuexiu Binhai Yucheng)
Home. 163.com, Guangdong Chamber of Real Estate

Annual Influential High-end Landmark in the Fourth Hubei Real Estate Gold House Prize
— Wuhan International Financial City
Hubei Daily

Online Media Awards of Hangzhou, China
Most Influential Property for 2016
— Hangzhou Starry Upper City
Tencent

The Third Shenyang Real Estate Gold List Awards Selection
The Most Beautiful Property in Shenyang in Vision
— Shenyang Yuexiu Hill Lake
Shenyang Real Estate Association

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhang Zhaoxing, aged 53, was appointed Chairman of the Company in July 2013. Mr Zhang has been an executive director of the Company since 2008. He had been Vice Chairman and General Manager of the Company. He is also chairman and a director of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu") and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") and chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"). He is also chairman and a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (Stock Code: 1111), the shares of the company mentioned above is listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang had been chairman and an executive director of Yuexiu Transport Infrastructure Limited ("Yuexiu Transport") (Stock Code: 1052). Mr Zhang holds an executive master of business administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Prior to joining Yue Xiu in 2008, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on the Shenzhen Stock Exchange ("Shenzhen Stock Exchange")(Stock Code: 2152). Mr Zhang is a deputy of the 12th National People's Congress of the People's Republic of China.

Mr Zhu Chunxiu, aged 54, was appointed Vice Chairman and executive director of the Company in July 2013. Mr Zhu is also vice-chairman and general manager of Guangzhou Yue Xiu and Yue Xiu. He is also a non-executive director of YFHL and Chong Hing Bank, and chairman and an executive director of Yuexiu Transport. Prior to joining Yue Xiu in 2013, Mr Zhu was vice-chairman and general manager of Guangzhou Finance Holdings Group Co., Ltd. He was a director of Guangzhou Rural Commercial Bank. Mr Zhu was awarded the degree in executive master of business administration by Sun Yat-sen University. Mr Zhu holds the economist qualification in China and has extensive experience in the operation and management of large financial institutions and banks. He is a deputy of the 14th and 15th session of the Guangzhou City People's Congress.

Mr Lin Zhaoyuan, aged 47, was appointed Vice Chairman, executive director and general manager of the Company in November 2015. Mr Lin is also a deputy general manager of Guangzhou Yue Xiu and Yue Xiu, chairman and a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), and chairman of the board of Guangzhou City Construction & Development Co. Ltd. ("GZCCD"). Mr Lin holds a bachelor degree of economics and a master of business administration degree of the Sun Yat-Sen University and the qualification of mechanical engineer. He had been chairman of the board of Guangzhou Paper Group Limited and an assistant to General Manager of Guangzhou Yue Xiu and Yue Xiu. Mr Lin has relatively extensive work experience in corporate management, sound and efficient management, cost control and corporate restructuring and development and is more forward-looking and innovative in corporate operations and management.

Mr Li Feng, aged 48, was appointed executive director of the Company in March 2014. Mr Li is the chief capital officer of, as well as general manager of the capital department of Guangzhou Yue Xiu and Yue Xiu, general manager of the customer resource management and synergy department of Guangzhou Yue Xiu and a director of GZCCD, mainly responsible for formulating and implementing major capital management plans of Guangzhou Yue Xiu group, organizing and coordinating the investor relationship of the listed companies of Guangzhou Yue Xiu group, and optimizing and upgrading the customer resource management and synergy of Guangzhou Yue Xiu group. He is also a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)),a non-executive director of Chong Hing Bank and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (formerly known as "Guangzhou Friendship Group Co., Ltd."), a company listed on the Shenzhen Stock Exchange (Stock Code: 987). Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, deputy general manager of capital department, and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu group; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

Mr Ou Junming, aged 48, was appointed executive director of the Company in March 2014. Mr Ou is the chief financial officer of the Company, chief risk officer and general manager of the audit department and management department of Guangzhou Yue Xiu and Yue Xiu, the general manager of the information centre of Guangzhou Yue Xiu, a director of GZCCD, a non-executive director of YFHL, and a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. Mr Ou graduated from the Business School of Sun Yat-sen University majoring in accounting, and obtained a bachelor's degree in economics. He holds the qualifications of a Certified Public Accountant and Certified Appraiser in China, and the qualification of an International Certified Internal Auditor. Mr Ou joined Yue Xiu in November 2001 and has successively held various positions, including manager, assistant to general manager and deputy general manager of supervision and auditing department, and general manager of audit department of Guangzhou Yue Xiu, the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. Mr Ou has participated in the operational management of major capital operation projects of Guangzhou Yue Xiu group; he is familiar with internal control and financial management of listed companies, and has extensive experience in corporate finance and capital management. Prior to joining Yue Xiu, Mr Ou worked in the foreign auditing department of Guangdong Provincial Audit Office and Tin Wha Huayue Certified Public Accountants Guangdong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Yu Lup Fat Joseph, aged 69, has been an independent non-executive director of the Company since 1992. He is also an independent non-executive director of YFHL and Chong Hing Bank. Mr Yu holds a master's degree in applied finance from Macquarie University in Australia and a diploma of management studies from the University of Hong Kong. Mr Yu has over 40 years of experience in investment, banking and finance.

Mr Lee Ka Lun, aged 62, has been an independent non-executive director of the Company since 2000. He is also an independent non-executive director of YFHL and Chong Hing Bank. He is an accountant by profession. Mr Lee is a Fellow of the Association of Chartered Certified Accountants in UK and has over 20 years of experience in banking and auditing. He is an independent non-executive director of Chow Sang Sang Holdings International Limited (Stock Code: 116), REXLot Holdings Limited (Stock Code: 555), Medicskin Holdings Limited (Stock Code: 8307) and Ever Harvest Group Holdings Limited (Stock Code: 1549). The shares of the companies mentioned above are listed on the Stock Exchange.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 69, has been an independent non-executive director of the Company since 2004. He obtained a bachelor of laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of China Jinmao Holdings Group Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Transport, Joy City Property Limited (Stock Code: 207), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited, Chu & Lau Nominees Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

Throughout the year ended 31 December 2016, the Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which are explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance, transparency and accountability of the Company's operations.

The key corporate governance principles and practices of the Company are summarised below:

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company.

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive directorate, and focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall business strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures, applicable rules and regulations.

Each director may seek independent professional advice in appropriate circumstances at the Company's expense, upon request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. The Board comprised six executive directors and three independent non-executive directors during the year ended 31 December 2016.

On 13 January 2017, Mr Ou Shao resigned as an executive director and the General Manager, Operations of the Company.

For a list of directors during the year ended 31 December 2016 and up to the date of this annual report, please refer to page 67 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the general meeting of the Company in accordance with the Company's Articles of Association. All the non-executive directors of the Company had retired by rotation during the past 3 years. They have been re-elected.

Shareholders may propose a candidate for election as director in accordance with the Articles of Association of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

Training for Directors

On appointment to the Board, each director receives a comprehensive induction package covering business operations, policies and procedures of the Company as well as the general, statutory and regulatory obligations of being a director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, directors are provided with written training materials to develop and refresh their professional knowledge and skills.

During the year, the Company had arranged tailor-made training programmes conducted by a reputable Senior Counsel and audit firm and other professional bodies for the directors with an emphasis on national regulatory development trend under new normal phase, enhancing enterprises innovative development, resources optimisation and allocation etc. According to the records maintained by the Company, the directors received trainings in the following areas:

Directors	**Corporate Governance/Updates on Laws, Rules & Regulations**	
	Read Materials	**Attended Seminars/ Briefings**
Executive Directors		
Zhang Zhaoxing	√	√
Zhu Chunxiu	√	√
Lin Zhaoyuan	√	√
Li Feng	√	√
Ou Junming	√	√
Ou Shao (resigned with effect from 13 January 2017)	√	—
Independent Non-Executive Directors		
Yu Lup Fat Joseph	√	√
Lee Ka Lun	√	√
Lau Hon Chuen Ambrose	√	√

Board Meetings

Number of Meetings and Directors' Attendance

In year 2016, the Board held 4 regular meetings and approved matters by way of written resolutions circulated to them (in total of 22 times) in between the regular meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance /Number of Meetings Board Meetings	General Meetings
Executive Directors		
Zhang Zhaoxing	**3/4**	1/3
Zhu Chunxiu	**3/4**	2/3
Lin Zhaoyuan	**4/4**	3/3
Li Feng	**4/4**	2/3
Ou Junming	**4/4**	2/3
Ou Shao (resigned with effect from 13 January 2017)	**4/4**	2/3
Independent Non-Executive Directors		
Yu Lup Fat Joseph	**4/4**	3/3
Lee Ka Lun	**4/4**	3/3
Lau Hon Chuen Ambrose	**4/4**	3/3

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to the current Board practice, any material transaction will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the Chairman is held by Mr Zhang Zhaoxing while the position of General Manager is held by Mr Lin Zhaoyuan.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiuproperty.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Yu Lup Fat Joseph is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems, the internal audit function and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2016 to review the financial results and reports, financial reporting and compliance procedures, internal control system and risk management system and the re-appointment of the external auditors. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**2/2**
Lee Ka Lun	**2/2**
Lau Hon Chuen Ambrose	**2/2**

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Yu Lup Fat Joseph, Mr Lee Ka Lun and Mr Lau Hon Chuen Ambrose, and one executive director, namely Mr Zhang Zhaoxing. The chairman of the committee is Mr Yu Lup Fat Joseph.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure, and recommendations on the remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meeting Attended
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**
Executive Director	
Zhang Zhaoxing	**1/1**

One meeting was held in 2016 to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review and the remuneration of newly appointed executive directors. In 2016, two written resolutions were passed.

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises two executive directors and three independent non-executive directors. The committee is chaired by the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	**Meeting Attended**
Executive Directors	
Zhang Zhaoxing	**1/1**
Zhu Chunxiu	**1/1**
Independent Non-Executive Directors	
Yu Lup Fat Joseph	**1/1**
Lee Ka Lun	**1/1**
Lau Hon Chuen Ambrose	**1/1**

The Nomination Committee held one meeting during the year ended 31 December 2016 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors concerning their compliance with the Model Code and all the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2016.

Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Transport and Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2016, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in respect of the financial statements and auditor's remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report".

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to approximately RMB6,000,000 and RMB2,880,000 respectively.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' interests and Company's assets and for review, through its Audit Committee, of the effectiveness of the system. The internal auditor shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee on any findings and measures to address the variances and identified risks. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group against material errors, loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

In meeting its responsibility, the Board seeks to increase risk awareness of its business operations and puts in place policies and procedures, including the parameters of delegated authority, to provide for the identification and management of business risk. The Board assumes overall responsibility in monitoring the operation of the businesses within the Group. Executive directors are appointed to the boards of all significant material operating subsidiaries to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

Business plans and budgets are prepared annually by the management of individual businesses which are subject to review and approval by both the executive management teams and the executive directors as part of the Group's corporate planning. The executive directors hold monthly meetings to review management reports on the business results and key operating statuses of each core business.

The Group has established procedures and guidelines for the approval and control of expenditure. Operating expenditure is subject to overall budget control and is controlled within each business with the approval levels for such expenditure being set by reference to the level of responsibility of each executive and officer.

For the year ended 31 December 2016, the Board has conducted a review of the effectiveness of the internal control system of the Company. The Board believes that the internal control system is adequate and effective and does not note any material deviation.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the general meetings. Separate resolutions are proposed at general meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuproperty.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Company and the Stock Exchange respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company, may request the directors to call a general meeting of the Company. The requisition must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The requisition may consist of several documents in like form. The requisition may be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. If the directors of the Company do not within 21 days after the date on which they become subject to the requirement call a general meeting for a date not more than 28 days after the date of notice convening the meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, and the meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. Pursuant to Sections 615 and 616 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at an annual general meeting to which the request (mentioned below) relates, or at least 50 shareholders having a right to vote on the resolution at an annual general meeting to which the request relates, may submit a written request to put forward a resolution which may properly be moved at an annual general meeting.

CONSTITUTIONAL DOCUMENTS

During 2016, there is no change in the Company's Articles of Association. The Company's Articles of Association are available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of development, selling and management of properties, and holding of investment properties. The principal activities of its principal subsidiaries, joint ventures, associated entities are set out in the section headed "Group Structure" on pages 170 to 184.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 87.

The Directors have declared an interim dividend and have recommended the payment of a final dividend in respect of the year ended 31 December 2016. They are summarised as follows:

	RMB'000
Interim dividend of HKD0.033 equivalent to approximately RMB0.028 per ordinary share paid on 16 November 2016	356,962
Proposed final dividend of HKD0.032 equivalent to approximately RMB0.028 per ordinary share	347,237
	704,199

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 1 June 2017 to Tuesday, 6 June 2017, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 6 June 2017, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 31 May 2017.

In addition, the register of members of the Company will be closed from Wednesday, 14 June 2017 to Friday, 16 June 2017, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 13 June 2017.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately RMB6.08 million.

BUSINESS REVIEW

The business review of the Group's business, including the important events affecting the Group that have occurred since the end of 2016 and the likely future developments in the Group's business, is set out in the "Chairman's Statement", and "Management Discussion and Analysis" sections of this Annual Report. Principal risks and uncertainties facing the Group are set out in the Risk Management Report. Details about the Group's financial risk management are set out in note 3 to the Consolidated Financial Statements.

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, Management Discussion and Analysis, the Corporate Governance Report, this Report of the Directors and Investor Relations Report. The environmental, social and governance report to be issued by the Company will also contain the Group's environmental policies and performance.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the Hong Kong Companies Ordinance.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

INTEREST AND NET FOREIGN EXCHANGE LOSS CAPITALISED

During the year, interest and net foreign exchange loss capitalised as development cost in respect of investment properties, properties under development and property, plant and equipment amounted to approximately RMB1,428 million (2015: RMB1,752 million).

DISTRIBUTABLE RESERVES

As at 31 December 2016, the distributable reserves, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap.622), of the Company available for distribution amounted to RMB923 million (2015: RMB1,643 million).

DIRECTORS

The Directors during the year and up to the date of this report were:

Mr Zhang Zhaoxing
Mr Zhu Chunxiu
Mr Lin Zhaoyuan
Mr Li Feng
Mr Ou Junming
Mr Ou Shao (resigned with effect from 13 January 2017)
Mr Yu Lup Fat Joseph*
Mr Lee Ka Lun*
Mr Lau Hon Chuen Ambrose*

* *Independent non-executive Directors*

The Directors' Profiles are set out on pages 53 to 55.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Zhu Chunxiu, Lee Ka Lun and Lau Hon Chuen Ambrose will retire by rotation in accordance with Article 91 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, all offer themselves for re-election.

The Board recommends the re-appointment of all directors standing for re-election at the forthcoming general meeting of the Company.

DIRECTOR'S SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the year and up to the date of this report are available on the Company's website (www.yuexiuproperty.com).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance to which the Company's subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company have arranged and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the reporting year, the following continuing connected transactions were entered into on normal and commercial terms:

Date	Connected Party	Relationship with the Company	Nature of Transaction	Aggregate transaction value for the reporting year
29 October 2014	Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary	The Company entered into a master agreement with Chong Hing Bank setting out the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HKD300 million on any given day for the period ended 31 December 2014 and the two years ending 31 December 2015 and 31 December 2016, respectively The Company entered into another bank deposits master agreement with Chong Hing Bank on 29 November 2016 to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB580 million on any given day during the period from 1 January 2017 to 31 December 2019	RMB 236,063,000 as at 31 December 2016
30 November 2015	廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) ("Guangzhou Yue Xiu")	The ultimate holding company of the Company	A subsidiary of the Company entered into a framework lease agreement with Guangzhou Yue Xiu on 30 November 2015 for a term of three years commencing from 1 January 2016 to govern the leasing of the lease properties in relation to Yuexiu Financial Tower to Guangzhou Yue Xiu and its subsidiaries and associates (excluding the Company and its subsidiaries) The aggregate annual rental payable by the aforesaid connected parties under specific lease agreements are subject to the annual caps of RMB49,000,000, RMB72,000,000 and RMB75,000,000 for the years ending 31 December 2016, 2017 and 2018 respectively	RMB 6,732,000
29 November 2016	Chong Hing Bank	A fellow subsidiary	The Company entered into a framework agreement with Chong Hing Bank setting out the maximum aggregate absolute amount of fair value at inception of the foreign exchange transactions recorded as assets/liabilities would not exceed HKD13,000,000, HKD17,000,000 and HKD20,000,000 for the years ending 31 December 2016, 2017 and 2018, respectively	HKD 6,207,713

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the annual cap in respect of the disclosed continuing connected transactions.

On 7 November 2016, the Group entered into an equity transfer agreement with Guangzhou Yue Xiu to acquire 100% of the equity interest in Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd. at a cash consideration of RMB1,396,247,800 and the shareholder's loan in the amount of approximately RMB1,191,752,260.39 ("Nansha Acquisition").

On 7 November 2016, the Group signed a share purchase agreement to dispose of the entire interest in Talent Sky Enterprises Limited, a subsidiary of the Group at the date of the said share purchase agreement, which ultimately owns a hotel in Hong Kong, to Yue Xiu Enterprises (Holdings) Limited, an intermediate holding company of the Company, for a cash consideration of HKD309,194,000 and the shareholder's loan in the amount of approximately HKD334,963,878.20 ("Talent Sky Disposal").

Details of the Nansha Acquisition and the Talent Sky Disposal have been disclosed in the announcement dated 7 November 2016 and the circular dated 23 November 2016. Both transactions were approved by the independent shareholders at the general meeting of the Company on 9 December 2016. The completion of the Nansha Acquisition and completion of the Talent Sky Disposal are inter-conditional and took place on 14 December 2016.

Rental expenses and property management fees paid to and rental income and management fee income received from related parties disclosed in note 43 (b)(I) and (III) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the reporting year and are regarded as "de minimis transactions" pursuant to the Listing Rules. Interest expense paid to related parties disclosed note 43 (b)(I) and (III) constitutes exempt connected transactions pursuant to the Listing Rules. Administrative services fee received from a related party constitutes an exempt continuing connected transaction pursuant to the Listing Rules.

INTERESTS OF DIRECTORS/CHIEF EXECUTIVE

As at 31 December 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

The Company

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan	Beneficial owner	373,464	0.003
Mr Li Feng	Beneficial owner	172,900	0.001
Mr Ou Shao #	Beneficiary of the Share Incentive Scheme Trust	2,019,399	0.016
Mr Yu Lup Fat Joseph	Beneficial owner	4,000,000	0.032
Mr Lee Ka Lun	Beneficial owner	3,200,000	0.026
Mr Lau Hon Chuen Ambrose	Beneficial owner	4,841,200	0.039

resigned with effect from 13 January 2017

Yuexiu Transport Infrastructure Limited

Long positions in shares of Yuexiu Transport Infrastructure Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Lin Zhaoyuan	Beneficial owner	120	0.00001
Mr Lau Hon Chuen Ambrose	Beneficial owner	195,720	0.012

Save as disclosed herein, as at 31 December 2016, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its other associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein, at no time during the year was the Company or a subsidiary a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2016, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity	Number of shares held	Approximate % of interest
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note)	Interests of controlled corporations	6,159,447,662 (Long position)	49.67
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	Interests of controlled corporations	6,159,447,662 (Long position)	49.67

Note:

Pursuant to the SFO as at 31 December 2016, 廣州越秀集團有限公司(Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in 6,159,447,662 shares in the Company as a result of its indirect holding of such shares through its wholly-owned subsidiaries, details of which were as follows:

Name	Long positions in shares
Yue Xiu	6,159,447,662
Superb Master Ltd.	401,989,620
Excellence Enterprises Co., Ltd. ("Excellence")	5,749,874,187
Bosworth International Limited ("Bosworth") (Note i)	4,202,934,153
Sun Peak Enterprises Ltd. ("Sun Peak")	978,065,907
Novena Pacific Limited ("Novena") (Note ii)	978,065,907
Shine Wah Worldwide Limited ("Shine Wah")	273,266,721
Morrison Pacific Limited ("Morrison") (Note iii)	273,266,721
Perfect Goal Development Co., Ltd. ("Perfect Goal")	234,689,273
Greenwood Pacific Limited ("Greenwood") (Note iv)	234,689,273
Seaport Development Limited ("Seaport")	60,918,133
Goldstock International Limited ("Goldstock") (Note v)	60,918,133
Yue Xiu Finance Company Limited	7,583,855

(i) 4,202,934,153 shares were held by Bosworth, which was wholly-owned by Excellence which was, in turn, wholly-owned by Yue Xiu.

(ii) 978,065,907 shares were held by Novena, which was wholly-owned by Sun Peak which was, in turn, wholly-owned by Excellence.

(iii) 273,266,721 shares were held by Morrison, which was wholly-owned by Shine Wah which was, in turn, wholly-owned by Excellence.

(iv) 234,689,273 shares were held by Greenwood, which was wholly-owned by Perfect Goal which was, in turn, wholly-owned by Excellence.

(v) 60,918,133 shares were held by Goldstock, which was wholly-owned by Seaport which was, in turn, wholly-owned by Excellence.

Save as disclosed herein, as at 31 December 2016, the Company had not been notified of any other persons who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register of interests of the Company required to be kept under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosures with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30 per cent. of the Group's total sales and purchases respectively.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhang Zhaoxing
Chairman

Hong Kong, 23 February 2017

RISK MANAGEMENT REPORT

I. RISK MANAGEMENT CONCEPT

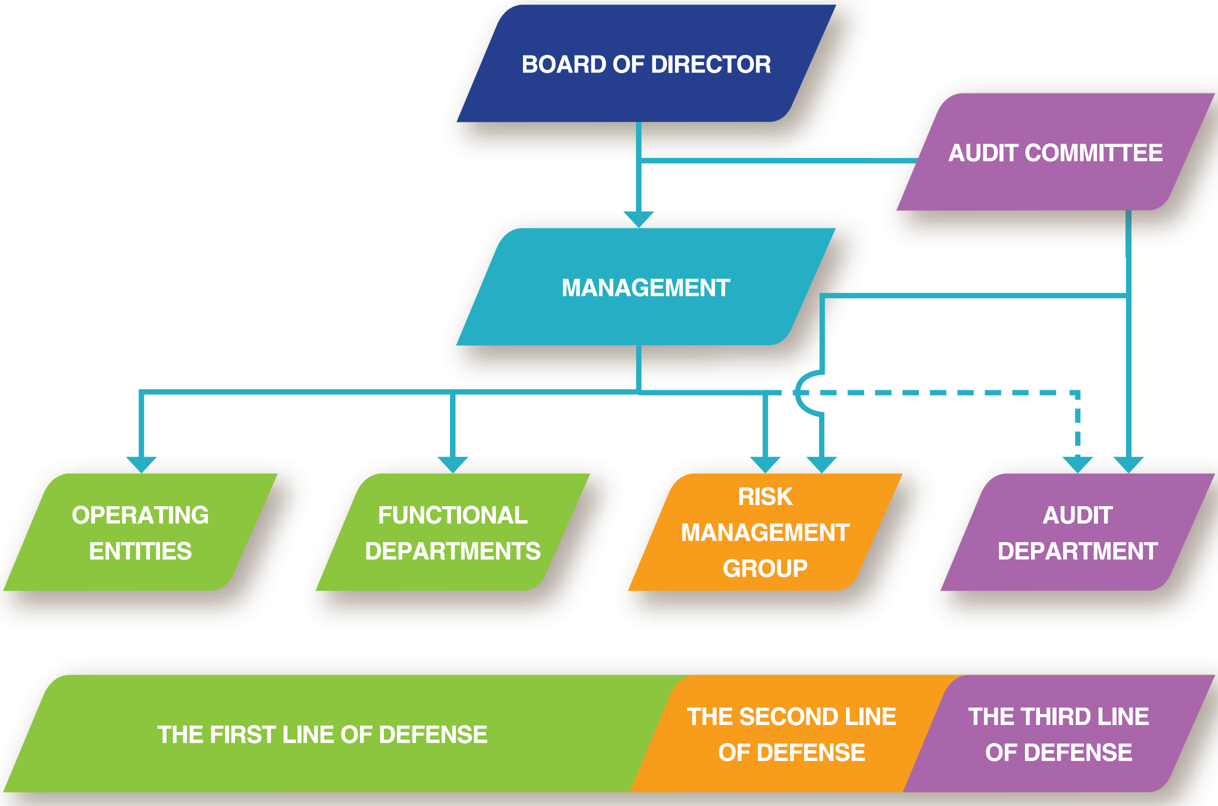
Risk management of the Group refers to any factors that may affect the realization of its strategic goals by the Group, including incidents, accidents or acts that have a substantial impact on the success potential (e.g. reputation), assets, capital, profitability or liquidity (cash) of the Group. The Board, management and employees of the Group jointly participate in the risk management which is applied to the formulation of strategies by the Group. Risk management infiltrates all departments and all operating activities of the whole group, identifies the potential items that may affect the Group and manages risks within the range of its risk appetite so as to provide reasonable assurance for achieving the goals of the Group.

II. RISK APPETITE

The Group will implement the "active, stable and balanced" overall risk appetite policy to ensure the realization of its strategic visions and achievement of goals of the relevant interested party. The Group will maintain a stable capital and liabilities structure to strike a balance between risks and income return and maintain sufficient capital to resist various kinds of risks that might be faced:

1. Financial and liquidity risks, including interest rate, exchange rate and capital risks. The Group manages financial and liquidity risks through indicators including the ratio of funds return to signed contracts, cash ratio in total assets;
2. Market risk. The Group manages market risks through the financing costs indicator;
3. Operation risk. The Group manages operation risks through indicators including staff turnover rate and number of newly added lands with defects;
4. Reputational risk. The Group manages reputational risks through customer satisfaction and other indicators;
5. Strategy risk. The Group manages strategy risks through review of effect of strategy implementation.

III. RISK MANAGEMENT ORGANISATIONAL STRUCTURE



The risk management organisational structure of the Group comprises: the Board of Directors (and its Audit Committee), the senior management, functional departments in head office and the subsidiaries, the Risk Management Group and the Audit Department.

1. The Board of Directors (and its Audit Committee) is the governing body for comprehensive risk management tasks of the Group and is ultimately responsible for the overall risk management and internal control systems. It is responsible for reviewing the effectiveness of their operation on a regular basis. Its purpose is to manage rather than to eliminate risks of failure to meet business objectives, and to strive to ensure that no major misrepresentation or loss will occur. Its major responsibilities include reviewing and approving the overall organization structure and their terms of reference of risk management, formulating the overall objectives and requirements of risk management, reviewing and approving annual risk appetite policy and various risk management reports.

2. The senior management is responsible for organizing daily risk management. Its main responsibility is to implement and promote the task to establish a comprehensive risk management system of the Company.

3. All functional departments in the head office and the subsidiaries are the first lines of defense in risk management, discharging their respective duties of risk management during business management. They are the risk bearer and the chief risk supervisor, being responsible for implementation of specific risk management.

4. The Risk Management Group represents the second line of defense of risk management, responsible for the collaboration, summarizing and reporting of overall risk management, coordinating formulation of risk appetite, risk management systems of the Group, summarizing and monitoring the risk exposure and management of all business areas and regularly reporting to the senior management, all as organized by the senior management.

5. The Audit Department is the third line of defense with independence and objectiveness. It is responsible for carrying out independent tests, verification and evaluation on the integrity and effectiveness of the risk management framework and the internal control system and providing independent and objective assessments of the effectiveness of the risk management system that has been established, and constantly monitoring the compliance of handling and dissemination of inside information. It is also responsible for reporting severe internal errors to the senior management and Board of Directors, and enforcing the relevant organizations to rectify and improve in time.

IV. RISK MANAGEMENT PROCEDURE

The Group carries out risk identification and evaluation in respect of the impact on operation efficiency, sustainable development capability and reputation by reference to the ERM framework of COSO and in accordance with the frequency of the occurrence of various kinds of risks and the degree of attention of the management of the Group and taking into account possible financial losses. On this basis, risk management strategies and response plans are designed in respect of major risks so as to raise the management and control standard and such strategy and plans are implemented in the ordinary course of business.

1. Collection of Initial Risk Management Information

All functional departments in the head office (such as the investment department, the management department and the product center, etc.) and the subsidiaries continue to collect in their daily operation risk-related internal and external information, including historical data, future forecasts and risk loss cases occurred in relevant enterprises within and outside China, with focus on monitoring risks and risk performance that affect achievement of objectives of the Company; conduct dynamic management of risk information; identify risks associated with the functions or business of their own units based on risk information collected for business and submit the same to the Risk Management Group in the head office as required; the Risk Management Group carries out professional analysis, screening, refinement and aggregation of risk information identified and reported by all units, set up the risk library of the Company and reports risk identification results to the senior management.

2. Risk Evaluation

The Risk Management Group carries out assessment of all kinds of risks identified based on the risk types and the actual needs of risk management with reference to risk assessment criteria and in dimensions such as possibilities of risk occurrence and the degree of impact of risk occurrence. Assessment methods include qualitative and quantitative methods: qualitative methods can be in forms of questionnaires, consultation with experts and interviews with the management, while quantitative methods can be in forms of statistical inference, computer simulation and event tree analysis.

In assessing a number of specific risks, the Risk Management Group, in accordance with the level of possibility of risk occurrence and the extent of its impacts on business development objectives, conducts risk comparison to identify the focus of concern of risk management and the priorities of management. Implementation of risk assessment is in the form of a combination of periodic assessments and routine assessments. Under normal circumstances, risk assessment is carried out on an annual basis. In cases of significant changes such as restructure of organization structure, change in business model and change in management model, or significant change in external environment and economic policies, risk assessment of particular areas or topics can be carried out in light of the circumstance.

3. Formulation of Risk Management Strategies

The Risk Management Group prepares an annual risk appetite policy every year and reports the same to the senior management for their review and submits to the Audit Committee/the Board of Directors for its approval. The policy is eventually communicated to various departments for implementation through setting different levels of risk appetite indicators. For risks causing possible losses within the enterprise's sustainable scope and having a minimal impact on the overall objective of the Group, strategies such as risk taking and risk control can be adopted. For other risks that might have more significant impact, prudent risk management tools such as risk avoidance and risk transfer are adopted to reduce or prevent losses arising from risks.

4. Improvement of Risk Management Measures

The Group has sound procedures and mechanisms for monitoring implementation of the annual risk appetite policy. The Board of Directors approves an annual risk appetite policy on annual basis and determines overall targets and requirements for the risk management. The senior management are responsible for organizing the implementation of the risk appetite policy by various divisions of the head office and the subsidiaries. The Risk Management Group collects data about risk appetite on a regular basis, organizes functional departments of the head office and the subsidiaries to conduct in-depth analysis for indicators not operating normally, and makes improvements through corresponding management measures. All functional departments of the head office and the subsidiaries are responsible for managing various specific risks and working out risk management measures in respect of major risks; communicating with the Risk Management Group and then reporting to the senior management as well as implementing as required by the senior management.

5. Supervision and Improvement

The Audit Department is responsible for monitoring effectiveness of risk management and internal control systems. On one hand, risk management and evaluation of internal control are conducted on a regular basis, and whether the risks borne by the Company deviates from the Company's risk appetite is objectively determined through analysis of the types and characteristics of risks encountered by the Company and the Company's business operation activities. On the other hand, other departments and subsidiaries are coordinated to conduct regular evaluations of various types of risks, comment and give feedback with respect to risks in the business and under management and appropriateness of risk management. Eventually, the Audit Department summarised and reported the findings to the senior management and the Audit Committee/the Board of Directors; risk management measures will be adjusted as and when necessary to enhance the effectiveness of internal control measures.

V. PROCEDURES AND INTERNAL CONTROL MEASURES FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and strictly complying with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

VI. MAJOR RISK MANAGEMENT INITIATIVES IN 2016

For optimizing the risk management system, the Group set up a system to manage the risk appetite and a mechanism for formulation of the annual risk appetite policy and management of supportive measures in accordance with new regulations to ensure objectivity, scientificity and systematization of risk management. Identification and evaluation of major risk was strengthened as well as the internal audit on core business procedures such as procurement by bidding and tender, sales and settlement of construction work was enhanced. Cooperation and interaction between risk management functions and internal audit functions was promoted and the strength of the risk management system was built up.

For market risks, the Group carefully approached the huge fluctuations of land prices in the market and controlled land acquisition costs.

For financial and liquidity risks, the Group controlled risks from fluctuations in the exchange rate through reducing the proportion of borrowings denominated in foreign currency and reasonably balanced assets and liabilities denominated in foreign currencies. The Group also carefully maintained balance of fund allocation with a thorough fund allocation planning, and maintained a good cooperation relationship with banks. The percentage of bank borrowings was controlled within the range specified by banks, thus capital demand and safety was protected.

For operation risks, the Group reduced risk exposures in business execution and operation through the continuous establishment of sound systems, processes and the power and responsibility system, rectification of deficiencies, introduction of supplemental and improved measures of risk control and prevention, revision and improvement of the administration rules in financial management, cost management, brand and bidding and tender procedures.

For reputation risks, the Group strengthened the internal audit on activities organised under various themes and, with the assistance of information technology, improved the daily monitoring of mainstream media.

For strategic risks, the Group set clear strategic direction and targeted and maintained the projects and business scale in the key strategic region to ensure that the Group's strategies were fully implemented.

VII. 2017 OUTLOOK AND MAJOR MEASURES

1. The Group continued to comply with the Listing Rules and the best practices of the industry to enhance the risk management system.

   Focus on the positioning of "strategic protection", adhere to the strategic goals and business plans of the Group and enhance the system to manage the risk appetite. Through risk identification, evaluation, response, and monitoring the reported risk and the process of continued improvement, foundation for healthy development of the Group was laid to facilitate the realization of its strategic goals.

   Persist with the concept of integrating risk management with business management, vigorously push forward the combination of risk management and daily operations, combine the enhancement of system establishment with the improvement of processes and systems, and embody the ideas and requirements of risk management in various specific management and business activities.

   Enhance the function of the "Three Lines of Defense" and refine the risk management system. Reinforce the duty of "managing risks" of the "First Line of Defense" of functional departments and responsible units through regulating business processes and internal control; continuously optimize the organization mode in respect of risk management, reinforce the duty of the "Second Line of Defense" of the Risk Management Group and various functional departments; fully capitalize on the "Third Line of Defense" function of internal audit and supervision.

2. For management of specific risks, after the process of risk identification and assessment, the Group considers that the following risks should be attended to (There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future):

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Business Operation Risk	Unsatisfactory business management model and positioning of commercial properties which affect the realization of the business objectives of the commercial properties of the Group.	1. With respect to the organisational structure, the Group has completed the establishment of the business management company and rationalised the management and control between the Head Office and subsidiaries of the business management company and between the business management company and project companies; 2. To carry out relevant planning, positioning and design tasks according to benchmark of the detailed planning of each project; strengthen project progress management according to critical points; strengthen invitation of investments and enhance the business operation capacity.
Investment Feasibility Study and Decision Making Risk	The risk of making wrong judgment and jeopardizing the interest of the Group due to lack of completeness and accuracy of the feasibility study of investment projects or failure to implement comprehensive risk identification.	1. The Group has additionally set up the Preliminary Audit Committee and Professional Technology Committee to make feasibility studies more scientific, accurate and operable; 2. The investment risk evaluation model is developed for evaluating extent of project risk from the four perspectives of city, region, project and team and formulating risk precautionary measures; 3. A system platform is constructed to monitor the return on investment, and to collate information of cost systems and marketing systems with dynamic update; fee parameters are also set for automatic supervision of dynamic revenue of various projects.

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Land Bank Risk	The risk of failure to achieve the operation objectives due to failure to obtain sufficient land bank at reasonable costs to allow the maintenance of normal operation and business growth.	1. Optimize the Group's development planning with thorough consideration of the potential of urban development and the operating efficiency of regional companies, and formulate the regional layout plan; 2. Ensure that reasonable land bank is maintained for strategic regions in accordance with the development plan; 3. Update land bank and dynamic revenue of projects on a quarterly basis and make an inventory of the resources of the Group.
Market demand and supply and policy risk	Systematic risk, such as the impact of market demand and supply relationship, macroeconomic policy and fiscal, tax and financial policies, etc. on the business development of the Group.	1. The functional departments and regional companies designate personnel to carry out the collection, analysis, compilation and reporting of information on policy adjustment and market changes from the perspectives of their respective specialized fields and duties or regional markets; 2. Purchase real estate industry related data and reports from third party institutions, implement internal sharing and submission through internal publications and management reports, etc., and optimize its rapid response and adjustment mechanism.
Exchange rate risk	When the companies which the Group held shares have foreign currency assets or liabilities, exchange rate fluctuation may result in loss which may indirectly affect the Group's financial performance.	1. The Board of Directors prompts holding companies to strengthen exchange rate risks and considers using appropriate tools to control risks at appropriate costs; 2. To pay close attention to information about foreign exchange market, and exchange experience in changes of the foreign exchange market and risk management with experienced experts in the foreign exchange industry.

Risk	Risk Description	Risk Management and Control Measures Intended to be optimized
Product Positioning Risk	The risk of the Group's dull sale or business results being hurt as a result of deviation from the market demand in respect of product design, product functions and quality, time of launch and product positioning in the market.	1. The Group's product centre integrates 3 major departments and 4 professional lines. It promotes product design and quality by centralising and combining advantageous design and resources; 2. Designers keep abreast of actual situations of projects and coordinate project needs, conduct in-depth studies of popular projects in the market on a regular basis, and enhance product design efficiency and the capability to respond quickly; 3. Strengthen communication and interaction between designers and marketing officers, launch the universal design language project and improve design efficiency and quality; 4. Continuously optimize the functions of and data from customer segmentation system, quantify city, regional and sectoral resources and customer demand trend, dynamic evaluation of project base price and positioning of target customers.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF YUEXIU PROPERTY COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Property Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 87 to 169, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Valuation of investment properties held by the Group and its associated entity
- Net realisable value of properties under development and properties held for sale held by the Group

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties held by the Group and its associated entity Refer to notes 4, 17, 22 and 30 to the consolidated financial statements Management has estimated the fair value of the Group's investment properties to be RMB14,337 million at 31 December 2016, with a revaluation loss for the year ended 31 December 2016 recorded in the consolidated income statement of RMB308 million. The fair value of investment properties held by Yuexiu Real Estate Investment Trust, an associated entity, attributable to the Group amounted to RMB9,461 million at 31 December 2016, with a revaluation gain for the year ended 31 December 2016 recorded in the consolidated income statement of RMB372 million. Management has engaged independent external valuers to perform valuation of all the investment properties in order to support management's estimates. The valuations of completed investment properties are dependent on certain key assumptions that require significant management judgement, including market rents and capitalization rate. Due to the significant judgement and estimates involved, specific audit focus was placed on this area.	Our procedures in relation to management's valuation of investment properties included: • Evaluating the independent external valuers' qualifications, expertise, competence, capabilities and objectivity; • Obtaining the valuation reports for all properties and assessing that the valuation approach adopted was suitable for use in determining the fair value for the purpose of the financial statements; • Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry and using our in-house valuation experts; and • Checking, on a sample basis, the input data used by the independent external valuers for the accuracy and relevance of the published external market data. We found that the assumptions and estimates made by the management in relation to the valuation was supported by the available audit evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of properties under development and properties held for sale held by the Group Refer to notes 4, 25 and 26 to the consolidated financial statements The Group had properties under development and properties held for sale of RMB44,138 million and RMB12,684 million, respectively, as at 31 December 2016. Management assessed the carrying amounts according to the net realisable value of these properties, taking into account the estimated costs to completion and estimated net sales value at prevailing market conditions. Write down to net realisation value is made when events or changes in circumstances indicate that the carrying amounts may not be realisable. The assessment requires management judgement and estimates.	Our procedures in relation to management's assessment on net realisable value of properties under development and properties held for sale included: • Evaluating of management's assessment by comparing, on a sample basis, the estimated selling price less variable selling expenses and the estimated cost to completion used in the assessment with the price and cost data from recent transactions or available market information; • Discussing with management on the latest status and development plans of the underlying property projects, such as expected completion dates of the projects; and • Checking management's adjustments to recoverable amounts of the underlying property projects if their carrying amounts are below net realisable value. We found the net realisable value of properties under development and properties held for sale were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ip Koon Wing, Ernest.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 February 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	5	**20,871,021**	22,115,677
Cost of sales	6	**(16,531,420)**	(17,456,861)
Gross profit		**4,339,601**	4,658,816
Proceeds from sales of investment properties		**180,193**	285,012
Direct costs of investment properties sold		**(154,043)**	(190,808)
Gain on sales of investment properties	20	**26,150**	94,204
Fair value (losses)/gains on revaluation of investment properties, net	17	**(307,595)**	439,781
Other gains, net	7	**1,062,904**	114,421
Selling and marketing costs	6	**(613,279)**	(722,128)
Administrative expenses	6	**(884,293)**	(891,292)
Operating profit		**3,623,488**	3,693,802
Finance income	8	**201,321**	87,729
Finance costs	9	**(901,962)**	(1,127,670)
Share of profit of			
– joint ventures	21	**55,061**	18,355
– associated entities	22	**385,553**	323,349
Profit before taxation		**3,363,461**	2,995,565
Taxation	10	**(1,636,585)**	(1,841,021)
Profit for the year		**1,726,876**	1,154,544
Attributable to			
Equity holders of the Company		**1,540,154**	1,012,889
Non-controlling interests		**186,722**	141,655
		1,726,876	1,154,544
Earnings per share for profit attributable to equity holders of the Company (expressed in RMB per share)	11		
– Basic and diluted		**0.1242**	0.0817

The notes on pages 96 to 169 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Profit for the year	1,726,876	1,154,544
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Currency translation differences	(104,649)	24,839
Change in fair value of available-for-sale financial assets, net of tax	136,049	40,851
Other comprehensive income for the year, net of tax	31,400	65,690
Total comprehensive income for the year	1,758,276	1,220,234
Attributable to:		
– Equity holders of the Company	1,564,154	1,076,357
– Non-controlling interests	194,122	143,877
	1,758,276	1,220,234

The notes on pages 96 to 169 form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	1,583,815	1,462,807
Investment properties	17	14,337,252	14,168,595
Land use rights	18	233,326	244,458
Interests in joint ventures	21	4,241,073	5,134,642
Interests in associated entities	22	11,238,601	7,083,320
Available-for-sale financial assets	23	1,186,208	988,875
Deferred tax assets	38	221,491	208,302
		33,041,766	29,290,999
Current assets			
Properties under development	25	44,138,207	40,171,217
Properties held for sale	26	12,683,569	12,754,963
Prepayments for land use rights		5,143,797	11,888,938
Inventories	28	47,308	36,061
Derivative financial instrument	24	79	27
Trade receivables	29	36,359	32,465
Other receivables, prepayments and deposits		6,825,617	1,861,832
Taxation recoverable		984,691	783,447
Charged bank deposits	31	4,330,554	5,622,570
Cash and cash equivalents	32	17,691,428	9,545,548
		91,881,609	82,697,068
Non-current assets held-for-sale	30	441,541	36,587
LIABILITIES			
Current liabilities			
Trade and note payables	33	63,499	125,105
Advance receipts from customers		16,139,912	13,915,464
Other payables and accrued charges	34	26,793,143	20,374,641
Borrowings	35	6,778,340	5,511,795
Taxation payable		3,151,762	2,607,085
		52,926,656	42,534,090
Net current assets		39,396,494	40,199,565
Total assets less current liabilities		72,438,260	69,490,564

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Borrowings	35	33,514,935	32,653,146
Deferred tax liabilities	38	4,478,236	5,275,522
Deferred revenue		59,212	61,006
Other payables and accrued charges	34	—	34,686
		38,052,383	38,024,360
Net assets		34,385,877	31,466,204
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	36	12,759,402	12,759,402
Other reserves	37	566,555	542,555
Retained earnings	37	17,298,029	16,316,219
		30,623,986	29,618,176
Non-controlling interests		3,761,891	1,848,028
Total equity		34,385,877	31,466,204

On behalf of the Board

Zhang Zhaoxing
Director

Zhu Chunxiu
Director

The notes on pages 96 to 169 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Operating profit	3,623,488	3,693,802
Adjustments for:		
Depreciation and amortisation (note 6)	54,670	57,835
Gain on disposal of property, plant and equipment and land use rights (note 7)	(420)	(49,618)
Gain on sales of investment properties (note 20)	(26,150)	(94,204)
Fair value losses/(gains) on revaluation of investment properties, net (note 17)	307,595	(439,781)
Fair value (gains)/losses on derivative financial instruments (note 7)	(52)	12,969
Decrease in deferred revenue	(1,794)	(1,795)
Provision for impairment of properties held for sale (note 6)	240,243	251,000
Gain on disposal of subsidiaries (note 7)	(599,712)	—
Gain on deemed acquisition of an associated entity (note 7)	(358,422)	—
Gain on disposal of non-current assets held-for-sale (note 7)	(48,510)	—
Excess of fair value of net assets of subsidiaries acquired over acquisition costs	—	(9,953)
Excess of fair value of net assets of a joint venture acquired over acquisition costs	—	(2,163)
Gain on deemed disposal of associates	—	(30,676)
Operating cash flows before movements in working capital	3,190,936	3,387,416
Decrease/(increase) in properties under development, properties held for sale and prepayments for land use rights	4,073,040	(4,964,893)
Increase in inventories (note 28)	(11,247)	(4,916)
Increase in trade receivables, other receivables, prepayments and deposits	(2,176,791)	(94,787)
Increase in trade and note payables, other payables and accrued charges and advance receipts from customers	3,793,942	4,906,183
Movement in balances with related companies	—	21,298
Increase in amounts due to non-controlling interests	—	152,873
Net exchange difference for working capital	23,853	21,710
Net cash generated from operations	8,893,733	3,424,884
Interest received	168,348	81,366
Interest paid	(1,910,766)	(1,860,392)
Hong Kong profits tax and Macau complementary income tax paid	(3,285)	(6,012)
China taxation paid	(1,995,353)	(1,649,280)
Net cash generated from/(used in) operating activities	5,152,677	(9,434)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Investing activities		
Purchases of property, plant and equipment	**(451,371)**	(167,365)
Purchases of investment properties	**(572,646)**	(1,337,935)
Proceeds from sale of investment properties	**170,493**	273,410
Dividends received from an associated entity (note 22)	**303,767**	256,551
Payment to joint ventures and associated entities	**(205,884)**	(2,926,894)
Decrease/(increase) in charged bank deposits	**1,292,016**	(547,875)
Payment for acquisition of subsidiaries, net of cash acquired (note 19 (c), (d))	**(4,313,167)**	(865,697)
Proceeds from sales of property, plant and equipment	**1,976**	57,432
Capital injection in a joint venture	**(4,000)**	(1,126,104)
Capital injection in associated entities	**(897,532)**	—
Proceeds from sale of non-current asset held-for-sale	**85,097**	—
Proceeds from disposal of subsidiaries, net of cash disposed (note 19 (a), (b))	**4,561,881**	—
Decrease in amounts due from related companies	**36,747**	—
Increase in amounts due from non-controlling interests	**(320,814)**	—
Net cash used in investing activities	**(313,437)**	(6,384,477)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Financing activities		
Capital contribution from non-controlling interests	55,200	557,600
Dividends paid to equity holders of the Company	(558,344)	(562,156)
Dividends paid to non-controlling interests	(68,539)	(2,902)
Increase/(decrease) in amount due to an intermediate holding company	3	(526)
(Decrease)/increase in amounts due to joint ventures and associated entities	(1,142,419)	3,956,930
Increase/(decrease) in amounts due to related companies	3,771,017	(13,805)
Increase in amounts due to non-controlling interests	(27,249)	—
Increase in amounts due from non-controlling interests	—	(223,727)
Repayment of non-controlling interest's related parties' loan	(661,351)	—
Proceeds from bank borrowings	28,338,252	22,176,540
Repayment of bank borrowings	(32,682,034)	(18,347,713)
Proceeds from other borrowings	7,968,000	500,045
Repayment of other borrowings	(2,641,775)	—
Borrowings from intermediate holding company	4,022,361	—
Repayment of borrowings from intermediate holding company	(3,121,002)	—
Net cash generated from financing activities	3,252,120	8,040,286
Increase in cash and cash equivalents	8,091,360	1,646,375
Cash and cash equivalents at the beginning of year	9,545,485	7,882,576
Exchange gain on cash and cash equivalents	54,530	16,534
Cash and cash equivalents at the end of year	17,691,375	9,545,485
Analysis of balances of cash and cash equivalents		
Bank balances and cash	17,691,428	9,545,548
Bank overdrafts	(53)	(63)
	17,691,375	9,545,485

The notes on pages 96 to 169 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to equity holders of the Company			
	Share capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016	12,759,402	16,858,774	1,848,028	31,466,204
Comprehensive income				
Profit for the year	—	1,540,154	186,722	1,726,876
Other comprehensive income				
Currency translation differences	—	(104,649)	—	(104,649)
Change in fair value of available-for-sale financial assets, net of tax	—	128,649	7,400	136,049
Total other comprehensive income	—	24,000	7,400	31,400
Total comprehensive income	—	1,564,154	194,122	1,758,276
Transactions with owners				
Dividends paid	—	(558,344)	(68,539)	(626,883)
Capital injection to subsidiaries	—	—	55,200	55,200
Non-controlling interests arising on business combination (note 19(c))	—	—	1,733,080	1,733,080
Total transactions with owners	—	(558,344)	1,719,741	1,161,397
At 31 December 2016	12,759,402	17,864,584	3,761,891	34,385,877

For the year ended 31 December 2016

	Attributable to equity holders of the Company			
	Share Capital RMB'000	Reserves RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015	12,759,402	16,344,573	1,149,453	30,253,428
Comprehensive income				
Profit for the year	—	1,012,889	141,655	1,154,544
Other comprehensive income				
Currency translation differences	—	24,839	—	24,839
Change in fair value of available-for-sale financial assets, net of tax	—	38,629	2,222	40,851
Total other comprehensive income	—	63,468	2,222	65,690
Total comprehensive income	—	1,076,357	143,877	1,220,234
Transactions with owners				
Dividends paid	—	(562,156)	(2,902)	(565,058)
Capital injection to subsidiaries	—	—	557,600	557,600
Total transactions with owners	—	(562,156)	554,698	(7,458)
At 31 December 2015	12,759,402	16,858,774	1,848,028	31,466,204

The notes on pages 96 to 169 form an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Property Company Limited (the "Company") and its subsidiaries (together, the "Group") is principally engaged in development, selling and management of properties and holding of investment properties. The Group's operations are primarily conducted in Mainland China ("China") and Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 26th Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 23 February 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments and available-for-sale financial assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

At 31 December 2016, the Company's current liabilities exceeded its current assets by approximately RMB4,727 million (31 December 2015: Net current liabilities of approximately RMB3,028 million). This is mainly because certain bank borrowings of approximately RMB1,600 million will fall due within twelve months of the balance sheet date and certain amounts due to subsidiaries of approximately RMB3,963 million is repayable on demand as at balance sheet date. The directors aim to renew these bank borrowings or to obtain additional banking facilities in order to improve the liquidity of the Group. In addition, the directors also believe that the Company will be able to obtain sufficient cash flows from other group companies to repay the bank borrowings, if necessary, upon the due dates. The directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationships with the banks and the strong financial position of the Group, which enhance the Group's ability to renew the current bank borrowings upon expiry or to secure other adequate banking facilities and other source of financing activities. Based on the Company's cash flow projection, taking into account the above, the Company expects it has sufficient cash flows to meet its financial obligations as and when they fall due in the coming twelve months from the date of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policy and disclosures

(a) Amended and new standards adopted by the Group:

The following amendments to existing standards and new standard are mandatory for the first time for the financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 14	Regulatory Deferral Accounts
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
Annual improvements 2014 cycle	Improvements to HKFRSs

The Group has assessed the impact of the adoption of these amended and new standards that are effective for the first time for this financial year and considered that there was no material impact on the Group.

(b) New Hong Kong Companies Ordinance (Cap.622)

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in notes 2.3 and 2.4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

*2.1.1 Changes in accounting policy and disclosures **(Continued)***

(c) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 2	Classification and Measurement of Share-base Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale and Contribution of Assets Between an Investor and its Associate or Joint Venture	To be announced
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The above new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

(i) HKFRS 15, 'Revenue from contracts with customers'

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- revenue from service - the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.
- accounting for certain costs incurred in fulfilling a contract - certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15, and
- rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

*2.1.1 Changes in accounting policy and disclosures **(Continued)***

(c) New standards and amendments to existing standards that have been issued but are not effective and have not been early adopted by the Group: (Continued)

(ii) HKFRS 16, 'Leases'

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB107,331,000, see note 27. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other HKFRSs that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

*2.2.1 Consolidation **(Continued)***

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

*2.2.1 Consolidation **(Continued)***

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated entity, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associated entities

Associate entities are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated entities includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associated entity is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associated entities (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associated entity equals or exceeds its interest in the associated entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated entity.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated entity is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated entity and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associated entities' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated entity are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated entities. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses of interests in associated entities are recognised in the consolidated income statement.

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the income statement within 'finance costs'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale financial assets fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint ventures that includes a foreign operation, or a disposal involving loss of significant influence over an associated entity that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated entities or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Buildings comprise mainly hotels and offices. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25-50 years
Leasehold improvements, furniture, fixtures and office equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recognised in the consolidated income statement. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and 'charged bank deposits' in the balance sheet. (note 29, 32 and 31)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

*2.10.1 Classification **(Continued)***

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.10.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement.

2.12 Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of properties under development and properties held for sale comprises land use rights, development and construction expenditure, borrowing costs capitalised and other direct costs attributable to the development. Net realisable value is the estimated selling price at which the property can be realised less related expenses.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development projects is expected to complete beyond normal operating cycle.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 2.10.2 for further information about the Group's accounting for trade receivables and note 2.10.4 for a description of the Group's impairment policies.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Non-current assets held for sale

Non-current assets are classified as held for sale when its carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

2.17 Trade and note payables

Trade and note payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and note payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and note payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

Borrowings costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases recognised, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sales.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, associated entities and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(b) Deferred income tax ***(Continued)***

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associated entities and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated entities. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting condition. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns rebates and discounts and after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from sales of properties is recognised upon completion of sale agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(b) Operating lease rental income is recognised on a straight-line basis over the lease period.

(c) Revenue from property management is recognised in the period in which the services are rendered.

(d) Revenue from the sales of goods is recognised upon the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(e) Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(f) Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(g) Agency fee revenue from property brokering is recognised when the relevant agreement becomes unconditional or irrevocable and no further performance obligations.

(h) When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract cost.

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases including land use rights (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.26 Government grants

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

2.29 Financial guarantees

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Financial guarantees are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

2.30 Insurance contracts

The Group regards its financial guarantee contracts in respect of mortgage facilities provided to certain property purchasers and guarantees provided by its subsidiaries as insurance contracts.

The Group assesses at the end of each reporting period the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the consolidated income statement.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

A majority of the subsidiaries of the Group operate in China with most of their transactions denominated in RMB. The Group is exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars ("HKD") and United States dollars ("USD"); for certain cash and bank balances of approximately RMB799 million (2015: RMB570 million) and bank borrowings of approximately RMB2,413 million (2015: RMB13,324 million) which were denominated in Hong Kong dollars ("HKD") and cash and bank balances of approximately RMB220 million (2015: RMB106 million) and bank borrowings of approximately RMB3,444 million (2015: RMB7,065 million) which were dominated in United States dollars ("USD") as at 31 December 2016. The Group will closely monitor the foreign exchange fluctuation and adopt alternative instruments to hedge foreign exchange exposure when appropriate.

At 31 December 2016, if RMB had strengthened/weakened by 5 percent against HKD and USD with all other variables held constant (assuming no capitalization of exchange difference), post-tax profit for the year would have been approximately RMB202 million higher/lower (2015: post-tax profit RMB823 million higher/lower), mainly as a result of foreign exchange gains on translation of monetary assets and liabilities denominated in HKD and USD.

(ii) Cash flow and fair value interest rate risk

At 31 December 2016, if interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately RMB29 million lower/higher (2015: post-tax profit RMB78 million lower/higher) respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Fixed notes accounted for approximately 34% of the total borrowings.

(iii) Price risk

The Group is exposed to equity securities price risk in its available-for-sale financial assets. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The available-for-sale financial assets are mainly unlisted equity instruments in China and if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB77 million (2015: RMB67 million).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, charged bank deposits, amounts due from related parties as well as trade receivables and certain other receivables.

The Group has policies in place to ensure that sales are made to buyers/customers with an appropriate financial strength and appropriate percentage of down payment. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks, with exposure spread over a number of counterparties and customers.

The carrying amount of the receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to these financial assets. The credit risk for bank deposits and bank balances is considered by the Group to be minimal as such amounts are generally placed with state-owned banks or banks with good ratings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayment. Detailed disclosure of these guarantees is made in note 41.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties. The Group does not hold any collateral as security.

None of the financial assets that are fully performing has been renegotiated in last year.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents (note 32) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

*(c) Liquidity risk **(Continued)***

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2016					
Borrowings (principal amount plus interest)	8,810,797	5,172,128	19,194,527	13,838,280	47,015,732
Trade and note payables (note 33)	63,499	—	—	—	63,499
Other payables and accrued charges	26,145,842	—	—	—	26,145,842
At 31 December 2015					
Borrowings (principal amount plus interest)	5,765,389	15,501,632	11,577,849	7,145,408	39,990,278
Trade and note payables (note 33)	125,105	—	—	—	125,105
Other payables and accrued charges	19,925,657	36,516	—	—	19,962,173

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's policy is to borrow centrally, using a mixture of long-term and short-term borrowing facilities, to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are on-lent or contributed as equity to certain subsidiaries.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Total borrowings (note 35)	**40,293,275**	38,164,941
Less: Cash and cash equivalents (note 32)	**(17,691,428)**	(9,545,548)
Net debt	**22,601,847**	28,619,393
Total equity (including non-controlling interests)	**34,385,877**	31,466,204
Total capital	**56,987,724**	60,085,597
Gearing ratio	**39.7%**	47.6%

The total capital amount is subject to externally imposed capital requirement and the Group has complied with the capital requirement during the year. The decrease in the gearing ratio during 2016 resulted primarily due to the strong cash inflow generated from operating activities.

3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group's certain financial instruments are measured in the balance sheet at fair value. The fair value measurement hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

For the Group's financial assets and liabilities that are carried at fair value, see note 23 for available-for-sale financial assets and note 24 for derivative financial instruments. For disclosures of the investment properties that are measured at fair value, see note 17.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2016 and 31 December 2015.

	Level 3	
	2016 RMB'000	2015 RMB'000
Assets		
Derivative financial instruments – call option (note 24)	79	27
Available-for-sale financial assets (note 23)	1,186,208	988,875
Total assets	1,186,287	988,902

There were no changes in valuation techniques during the period.

There were no transfers between fair value hierarchy levels during the period.

Fair value measurements using significant unobservable inputs (Level 3)

31 December 2016	Available for sale financial assets RMB'000	Derivative financial instruments– call options RMB'000	Total RMB'000
Opening balance at 1 January	988,875	27	988,902
Unrealised fair value loss recognised in profit or loss	—	52	52
Unrealised fair value changes recognised in other comprehensive income	197,333	—	197,333
Closing balance at 31 December	1,186,208	79	1,186,287

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value measurements using significant unobservable inputs (Level 3) ***(Continued)***

31 December 2015	Available for sale financial assets RMB'000	Derivative financial instruments– call options RMB'000	Total RMB'000
Opening balance at 1 January	929,622	12,996	942,618
Realised fair value loss of derivative financial instruments	—	(1,297)	(1,297)
Unrealised fair value loss recognised in profit or loss	—	(11,672)	(11,672)
Unrealised fair value changes recognised in other comprehensive income	59,253	—	59,253
Closing balance at 31 December	988,875	27	988,902

Group's valuation processes

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee ("AC"). Discussions of valuation processes and results are held between the management, AC and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

The main Level 3 input used by the Group for available-for-sale financial assets pertains to the discount for lack of marketability. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement.

The main Level 3 inputs used by the Group in estimating the call options derivatives are gross development value, time to maturity, interest rate, and expected volatility. The fair value of the call options were calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value based on schedules provided by management of the Group, follow the Geometric Brownian motion.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Fair value of financial assets and liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Cash and cash equivalents and charged bank deposits
- Other receivables and deposits
- Other payables and accrued charges
- Trade and note payables
- Borrowings

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities are discussed below.

(a) Fair value of investment properties

The fair value of each investment property is individually determined at each reporting date by independent external valuers based on a market value assessment. Fair values of completed investment properties are derived using the income capitalisation method, and fair value of investment properties under development are derived using the residual method. The valuations are dependent on certain key assumptions that require significant judgement, including capitalization rates and market rents. The valuations of investment properties under development are also dependent upon the market prices and estimated developer's profit. Details of the valuation techniques and key assumptions used in the valuation of the investment properties which are measured at fair value are set out in note 17.

(b) Net realisable value of properties under development and properties held for sale

The Group writes down properties under development and properties held for sale to net realisable value based on assessment of the realisability of properties under development and properties held for sale which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development and properties held for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development and properties held for sale is adjusted in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and land use rights have been determined based on the higher of their fair value less costs to sell and value-in-use, taking into account the latest market information and past experience.

(d) Provision for withholding income tax on undistributed profits

The Group is subject to withholding income tax on undistributed profits of its foreign-invested enterprises in China. Significant judgement is required in determining the dividend pay-out policy of the foreign-invested enterprises controlled by the Group and the amount of the provision for withholding income tax. The Group monitors its dividend pay-out policy and may demand for dividend distribution from the foreign-invested enterprises controlled by the Group. This may result in additional tax provisions as disclosed in note 10.

(e) Current and deferred income tax

The Group is subject to income tax primarily in China and Hong Kong. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the land appreciation tax, income tax and deferred tax provisions in the period in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimate is changed.

(f) Depreciation of property, plant and equipment

The Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value commencing from the date the asset is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(g) Accruals for construction cost of public facilities

The Group is required to construct certain public facilities in connection with obtaining certain land use rights for construction of properties in China. The Group estimates the accruals for these costs for construction based on historical actual construction costs as adjusted for the effect of inflation. The Group regularly updates the construction schedules of public facilities and reviews the adequacy of the accrued balance.

(h) Fair value of available-for-sale financial assets

The best evidence of fair value is current prices in an active market for similar available-for-sale financial assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. Details of fair value estimates on available-for-sale financial assets have been disclosed in note 23.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Fair value of derivative financial instruments

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group's management uses a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of fair value estimates on derivative financial instruments have been disclosed in note 24.

(j) Consolidation

Control is the basis for consolidation. Control exists when the Group is able to influence profitability of another company through its involvement and power over the operation of another company. To assess whether an entity has control over another entity involves significant judgement. Management has performed an assessment and considered the current accounting treatments for its subsidiaries, associated entities and joint ventures to be appropriate. Yuexiu Real Estate Investment Trust ("Yuexiu REIT") is accounted for as an associated entity since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company.

The Group has no equity in and/or control over the independent trustee. Among other key factors, the Group does not have any power to control the appointment of directors of the asset management company of Yuexiu REIT, as all of the directors are nominated by the nomination committee, which is comprised by a majority of independent non-executive directors. Accordingly, the Group does not control Yuexiu REIT.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. Management determines the operating segments based on the Group's internal reports, which are then submitted to the executive directors for performance assessment and resources allocation.

The executive directors consider the business by nature of business activities and assess the performance of property development, property management, property investment and others.

The Group's operating and reportable segments under HKFRS 8 and the types of turnover are as follows:

Property development	sales of property development activities
Property management	property management services
Property investment	property rentals
Other	revenue from real estate agency and construction and building design consultancy services

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments and other unallocated operating costs. Other information provided, except as noted below, to the executive directors are measured in a manner consistent with that in the consolidated financial statements.

Total assets excluded deferred tax assets, taxation recoverable and corporate assets. Corporate assets are not directly attributable to segments.

5 SEGMENT INFORMATION (Continued)

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the executive directors are measured in a manner consistent with that in the consolidated income statement.

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2016					
Revenue	19,346,285	670,751	523,652	1,400,139	21,940,827
Inter-segment revenue	—	(71,274)	(5,692)	(992,840)	(1,069,806)
Revenue from external customers	19,346,285	599,477	517,960	407,299	20,871,021
Segment results	2,568,186	61,125	(12,956)	28,649	2,645,004
Depreciation and amortisation	(54,022)	(492)	—	(156)	(54,670)
Fair value losses on revaluation of investment properties, net	—	—	(307,595)	—	(307,595)
Share of profit/(loss) of:					
- joint ventures	55,061	—	—	—	55,061
- associated entities	(28,336)	—	384,073	29,816	385,553

	Property development RMB'000	Property management RMB'000	Property investment RMB'000	Others RMB'000	Group RMB'000
Year ended 31 December 2015					
Revenue	21,074,165	549,668	284,937	1,154,652	23,063,422
Inter-segment revenue	—	(97,339)	(5,283)	(845,123)	(947,745)
Revenue from external customers	21,074,165	452,329	279,654	309,529	22,115,677
Segment results	2,991,597	15,855	675,105	3,759	3,686,316
Depreciation and amortisation	(46,468)	(437)	—	(10,930)	(57,835)
Fair value gains on revaluation of investment properties, net	—	—	439,781	—	439,781
Share of profit of:					
- joint ventures	18,355	—	—	—	18,355
- associated entities	2,905	—	275,282	45,162	323,349

5 SEGMENT INFORMATION (Continued)

	Property development RMB'000	Property management RMB'000	Property Investment RMB'000	Others RMB'000	Group RMB'000
As at 31 December 2016					
Segment assets	91,296,147	1,031,997	14,778,793	552,268	107,659,205
Interests in joint ventures	4,241,073	—	—	—	4,241,073
Interests in associated entities	4,749,723	—	6,281,340	207,538	11,238,601
Total reportable segments' assets	100,286,943	1,031,997	21,060,133	759,806	123,138,879
Total reportable segments' assets include:					
Additions to non-current assets (note)	447,643	2,728	572,646	1,000	1,024,017
As at 31 December 2015					
Segment assets	83,153,011	542,040	14,168,595	422,808	98,286,454
Interests in joint ventures	5,134,642	—	—	—	5,134,642
Interests in associated entities	714,605	—	6,191,003	177,712	7,083,320
Total reportable segments' assets	89,002,258	542,040	20,359,598	600,520	110,504,416
Total reportable segments' assets include:					
Additions to non-current assets (note)	163,887	3,018	1,337,935	460	1,505,300

Note: Non-current assets represent non-current assets other than financial instruments (financial instruments include interests in joint ventures and interests in associated companies) and deferred tax assets.

5 SEGMENT INFORMATION (Continued)

A reconciliation of total segment results to total profit before taxation is provided as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Segment results	**2,645,004**	3,686,316
Unallocated operating costs (note)	**(84,420)**	(106,935)
Other gains, net (note 7)	**1,062,904**	114,421
Operating profit	**3,623,488**	3,693,802
Finance income (note 8)	**201,321**	87,729
Finance costs (note 9)	**(901,962)**	(1,127,670)
Share of profit of:		
- joint ventures (note 21)	**55,061**	18,355
- associated entities (note 22)	**385,553**	323,349
Profit before taxation	**3,363,461**	2,995,565

Note: Unallocated operating costs include mainly staff salaries, rent and rates, depreciation and other operating expenses.

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Total reportable segments' assets	**123,138,879**	110,504,416
Deferred tax assets (note 38)	**221,491**	208,302
Taxation recoverable	**984,691**	783,447
Corporate assets	**1,019,855**	528,489
Total assets	**125,364,916**	112,024,654

No geographical segment analysis is shown as more than 90% of the Group's revenue are derived from activities in and from customers located in the China and more than 90% of the carrying values of the Group's non-current assets excluding deferred income tax are situated in China.

As at 31 December 2016, total non-current assets other than financial instruments and deferred income tax assets located in China is RMB30,865 million (2015: RMB27,081 million), the total of these non-current assets located in Hong Kong is RMB769 million (2015: RMB1,013 million).

For the year ended 31 December 2016, the Group does not have any single customer with the transaction value over 10% of the total external sales (2015: Same).

6 EXPENSES BY NATURE

Cost of sales, selling and marketing costs, and administrative expenses include the following:

	2016 RMB'000	2015 RMB'000
Advertising and promotion expenses	515,108	626,328
Business tax and other levies	987,682	1,341,179
Cost of properties sold included in cost of sales	14,649,149	15,409,565
Cost of inventories included in cost of sales	138,906	37,283
Direct operating expenses arising from investment properties	184,711	107,983
Depreciation (note 16)	43,538	47,250
Amortisation of land use rights (note 18)	11,132	10,585
Operating leases - Land and buildings	56,733	66,465
Auditor's remuneration	6,000	5,996
Employee benefit expenses (note 13)	1,094,996	1,082,964
Provision for impairment of properties held for sale	240,243	251,000
Other expenses	100,794	83,683
	18,028,992	19,070,281

7 OTHER GAINS, NET

	2016 RMB'000	2015 RMB'000
Gain on disposal of subsidiaries (note 19(a), (b))	599,712	—
Gain on deemed acquisition of an associated entity (note 19(a))	358,422	—
Gain on disposal of non-current assets held-for-sale	48,510	—
Penalty income	45,683	—
Gain on disposal of property, plant and equipment	420	49,618
Fair value gain/(losses) on derivative financial instrument	52	(12,969)
Gain on deemed disposal of associated entities	—	30,676
Government subsidy	—	19,269
Excess of the fair value of net assets of subsidiaries acquired over acquisition costs	—	9,953
Excess of the fair value of net assets of a joint venture acquired over acquisition costs	—	2,163
Others	10,105	15,711
	1,062,904	114,421

8 FINANCE INCOME

	2016 RMB'000	2015 RMB'000
Interest income from bank deposits	168,348	81,366
Fair value gain on top-up payment liability	32,973	6,363
	201,321	87,729

9 FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank borrowings and overdrafts	1,415,379	1,516,612
Interest on borrowings from related companies	15,798	29,647
Interest on borrowings from an intermediate holding company (note 43(b))	80,699	—
Interest on other borrowings	364,633	314,133
Interest on other payable (note (a))	181,209	—
Net foreign exchange loss on financing activities	139,112	1,019,423
Total borrowing costs incurred	2,196,830	2,879,815
Less: amount capitalised as investment properties, properties under development and property, plant and equipment (note (b))	(1,427,960)	(1,752,145)
	768,870	1,127,670
Loss on extinguishment of financial liabilities	133,092	—
	901,962	1,127,670

Note:

(a) Interest on other payable represents interest on the current amount of a subsidiary of the Group due to a non-controlling interest. The balance is approximately RMB2,200 million as at 31 December 2016. The balance, which is included in other payables and accrued charges, is repayable on demand and denominated in RMB.

(b) Borrowing costs capitalised during the year are calculated by applying a weighted average capitalisation rate of 5.37 percent per annum (2015: 4.15 percent per annum).

10 TAXATION

(a) Hong Kong profits tax has been provided at the rate of 16.5 percent (2015: 16.5 percent) on the estimated assessable profit for the year.

(b) China enterprise income taxation is provided on the profit of the Group's subsidiaries, associated entities and joint ventures in China at 25 percent (2015: 25 percent).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to corporate withholding income tax at tax rates ranging from 5 percent to 10 percent. During the year, withholding income tax was provided for dividend distributed and undistributed profit, recognised based on HKFRS, of the Group's subsidiaries, joint ventures and associated entities in China at tax rates ranging from 5 percent to 10 percent (2015: 5 percent to 10 percent).

(c) China land appreciation tax is levied at progressive rates ranging from 30 percent to 60 percent on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including costs of land, development and construction.

(d) The amount of taxation charged to the consolidated income statement comprises:

	2016 RMB'000	2015 RMB'000
Current taxation		
Hong Kong profits tax	**3,747**	3,429
Macau complementary income tax	**—**	9,760
China enterprise income tax	**938,319**	777,140
China land appreciation tax	**1,400,419**	932,284
Over-provision in prior years	**(59)**	(124)
Deferred taxation		
Origination and reversal of temporary difference	**(240,897)**	157,971
China land appreciation tax	**(698,416)**	(153,229)
Corporate withholding income tax on undistributed profits	**233,472**	113,790
	1,636,585	1,841,021

10 TAXATION (Continued)

The taxation on the Group's profit before taxation less share of profits and losses of associated entities and joint ventures differs from the theoretical amount that would arise using the enterprise income tax rate of China, where majority of the Group's operations were carried out, as follows:

	2016 RMB'000	2015 RMB'000
Profit before taxation less share of profit of associated entities and joint ventures	2,922,847	2,653,861
Calculated at China enterprise income tax rate of 25 percent (2015: 25 percent)	730,712	663,465
Effect of different taxation rates	(113,492)	79,620
Income not subject to taxation	(44,160)	(43,163)
Expenses not deductible for taxation purposes	83,842	176,755
Tax loss for which no deferred income tax asset was recognised	219,768	266,387
Over-provision in prior years	(59)	(124)
Effect of land appreciation tax deductible for calculation of income tax purposes	(175,501)	(194,764)
Corporate withholding income tax	233,472	113,790
	934,582	1,061,966
Land appreciation tax	702,003	779,055
Taxation charges	1,636,585	1,841,021

The tax charges relating to components of other comprehensive income are as follows:

	2016			2015		
	Before tax	Tax charges	After tax	Before tax	Tax charges	After tax
Fair value gains of available-for-sale financial assets	197,333	(61,284)	136,049	59,253	(18,402)	40,851

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	1,540,154	1,012,889
Weighted average number of ordinary shares in issue ('000)	12,401,307	12,401,307
Basic earnings per share (RMB)	0.1242	0.0817

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Since there was no dilutive potential ordinary shares during the year ended 31 December 2016, diluted earning per share is equal to basic earnings per share (2015: Same).

12 DIVIDENDS

The dividends paid in 2016 was approximately RMB558 million (2015: RMB562 million). The directors proposed a final dividend of HKD0.032 per ordinary share, totaling approximately RMB347 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 6 June 2017. These financial statements do not reflect this dividend payable.

	2016 RMB'000	2015 RMB'000
Interim, paid, of HKD0.033 equivalent to RMB0.028 (2015: HKD0.029 equivalent to RMB0.024) per ordinary share	356,962	294,648
Final, proposed, of HKD0.032 equivalent to RMB0.028 (2015: HKD0.019 equivalent to RMB0.016) per ordinary share	347,237	198,421
	704,199	493,069

13 EMPLOYEE BENEFIT EXPENSES

	2016 RMB'000	2015 RMB'000
Wages, salaries and bonus	842,581	837,240
Pension costs (defined contribution plans)	45,906	66,654
Medical benefits costs (defined contribution plans)	28,274	30,092
Social security costs	84,287	83,315
Termination benefits	25,529	572
Staff welfare	68,419	65,091
	1,094,996	1,082,964

Pension scheme arrangements

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees under the Occupational Retirement Schemes Ordinance. Contributions to the ORSO Scheme by the employer and employees are calculated at 5 percent to 20 percent and 5 percent respectively of the employees' basic salaries.

The Group's contributions to the ORSO Scheme are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There are no forfeited contributions for both years presented.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. Under the MPF Scheme, each of the Group and its employees makes monthly contributions to the scheme at 5 percent of the employee's relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subjected to a cap of HKD1,500 (before 1 Jun 2014: HKD1,250) per month and contributions thereafter are voluntary. The contributions under the MPF Scheme are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in China are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal Government, and make monthly contributions to the retirement plans in the range of 16 to 24 percent of the monthly salaries of the employees. The Group has no further obligations for the actual payment of pensions beyond its contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

31 December 2016

	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary Bonuses (note a (iv)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (v)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
ZHANG Zhaoxing	–	1,540	6,391	83	425	–	–	–	8,439
ZHU Chunxiu	–	1,540	3,809	87	497	–	–	–	5,933
LIN Zhaoyuan	–	1,490	6,711	53	–	–	–	–	8,254
LI Feng	–	1,490	1,676	118	137	–	–	–	3,421
OU Junming	–	1,490	1,692	121	118	–	–	–	3,421
OU Shao (note a (i))	–	1,335	4,299	101	–	111	–	–	5,846
YU Lup Fat Joseph	320	–	–	–	–	–	–	–	320
LEE Ka Lun	251	–	–	–	–	–	–	–	251
LAU Hon Chuen Ambrose	251	–	–	–	–	–	–	–	251
Total	822	8,885	24,578	563	1,177	111	–	–	36,136

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

31 December 2015

	Emoluments paid or received in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary Bonuses (note a (iv)) RMB'000	Pension costs RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note a (v)) RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
ZHANG Zhaoxing	—	1,540	6,331	53	399	—	—	—	8,323
ZHU Chunxiu	—	1,540	3,973	58	467	—	—	—	6,038
LIN Zhaoyuan (note a (ii))	—	248	1,044	—	34	—	—	—	1,326
LI Feng	—	1,490	1,631	92	110	—	—	—	3,323
OU Junming	—	1,490	1,631	92	111	—	—	—	3,324
OU Shao (note a (ii))	—	223	619	73	—	21	—	—	936
TANG Shouchun (note a (iii))	—	787	1,846	44	—	—	—	—	2,677
CHEN Zhihong (note a (iii))	—	1,175	5,204	80	—	98	—	—	6,557
YU Lup Fat Joseph	300	—	—	—	—	—	—	—	300
LEE Ka Lun	236	—	—	—	—	—	—	—	236
LAU Hon Chuen Ambrose	236	—	—	—	—	—	—	—	236
Total	772	8,493	22,279	492	1,121	119	—	—	33,276

Notes:

(i) Resigned on 13 January 2017

(ii) Appointed on 10 November 2015

(iii) Resigned on 10 November 2015

(iv) Discretionary bonuses are determined by the Group's financial performance.

(v) Other benefits may include staff quarter.

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2015: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2015: Nil).

14 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2015: Nil).

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

No directors waived emoluments in respect of the years ended 31 December 2016 and 2015. No emoluments were paid or payable by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2016 and 2015 are also directors whose emoluments are reflected in the analysis presented in note 14.

16 PROPERTY, PLANT AND EQUIPMENT

	Land RMB'000 (note)	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807
Exchange differences	6,910	6,116	—	255	17	13,298
Additions	—	—	439,030	9,431	2,910	451,371
Disposals	—	—	—	(1,391)	(165)	(1,556)
Depreciation	(519)	(27,966)	—	(11,205)	(3,848)	(43,538)
Transfer to investment properties (note 17)	(1,158)	(448)	—	—	—	(1,606)
Disposal of a subsidiary (note 19(b))	(235,637)	(53,005)	—	(8,319)	—	(296,961)
Closing net book amount	5,417	196,718	1,339,877	32,249	9,554	1,583,815
At 31 December 2016						
Cost	12,812	449,658	1,339,877	112,789	75,223	1,990,359
Accumulated depreciation and impairment	(7,395)	(252,940)	—	(80,540)	(65,669)	(406,544)
Net book amount	5,417	196,718	1,339,877	32,249	9,554	1,583,815

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land RMB'000 (note)	Buildings RMB'000	Construction in progress RMB'000	Leasehold improvements, furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015						
Cost	409,660	526,938	752,599	139,038	83,556	1,911,791
Accumulated depreciation and impairment	(182,135)	(284,735)	—	(94,087)	(64,511)	(625,468)
Net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323
Year ended 31 December 2015						
Opening net book amount	227,525	242,203	752,599	44,951	19,045	1,286,323
Exchange differences	13,990	2,481	—	746	5	17,222
Additions	—	4,318	148,248	13,462	1,337	167,365
Disposals	—	(3,913)	—	(616)	(3,285)	(7,814)
Depreciation	(5,694)	(20,029)	—	(15,065)	(6,462)	(47,250)
Transfer from investment properties (note 17)	—	83,548	—	—	—	83,548
Transfer to non-current assets held-for-sale (note 30b)	—	(36,587)	—	—	—	(36,587)
Closing net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807
At 31 December 2015						
Cost	435,251	576,271	900,847	150,433	78,685	2,141,487
Accumulated depreciation and impairment	(199,430)	(304,250)	—	(106,955)	(68,045)	(678,680)
Net book amount	235,821	272,021	900,847	43,478	10,640	1,462,807

Note: All the land of the Group are located in Hong Kong with lease terms under 50 years.

Property, plant and equipment of the Group with an aggregate carrying amount of RMB572 million (2015: RMB627 million) were pledged as collateral for the Group's bank borrowings (note 42).

17 INVESTMENT PROPERTIES

	Completed investment properties China RMB'000	Completed investment properties Hong Kong RMB'000	Investment properties under development China RMB'000	Total RMB'000
Opening balance at 1 January 2016	12,146,700	690,895	1,331,000	14,168,595
Exchange differences	—	46,343	—	46,343
Additions	—	—	572,646	572,646
Disposals	(144,343)	—	—	(144,343)
Transfer	1,903,646	—	(1,903,646)	—
Transfer from property, plant and equipment (note 16)	—	1,606	—	1,606
Fair value (losses)/gains, net (note)	(320,193)	12,598	—	(307,595)
Closing balance at 31 December 2016	13,585,810	751,442	—	14,337,252

	Completed investment properties China RMB'000	Completed investment properties Hong Kong RMB'000	Investment properties under development China RMB'000	Total RMB'000
Opening balance at 1 January 2015	6,877,110	686,229	5,051,000	12,614,339
Exchange differences	—	39,294	—	39,294
Additions	1,153,873	—	184,062	1,337,935
Disposals	(113,741)	(65,465)	—	(179,206)
Transfer	3,925,000	—	(3,925,000)	—
Transfer to property, plant and equipment (note 16)	(83,548)	—	—	(83,548)
Fair value gains, net (note)	388,006	30,837	20,938	439,781
Closing balance at 31 December 2015	12,146,700	690,895	1,331,000	14,168,595

Note: The net fair value losses of approximately RMB308 million (2015: net gains of approximately RMB440 million) are included in profit or loss that are attributable to unrealised gains or loss for assets held at the end of the year.

17 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group

The Group measures its investment properties at fair value. The investment properties were revalued by Greater China Appraisals Limited ("GCAL"), independent qualified valuers not related to the Group, who hold recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued, at 31 December 2016. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the audit committee ("AC"). Discussions of valuation processes and results are held between the management, AC, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

Valuation techniques

Fair value measurements using significant other observable inputs

Fair values of completed investment properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of investment properties under development in China are generally derived using the residual method. This valuation method is essentially a means of valuing the investment property under construction by reference to its development potential by deducting development costs together with developer's profit and risk from the estimated capital value of the proposed development assuming completed as at the date of valuation.

There were no changes to the valuation techniques during the year.

As at 31 December 2016, all investment properties are included in level 3 fair value hierarchy.

17 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value

Description	Fair value at 31 December 2016 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Completed investment properties in PRC	13,585,810	Comparison method and Income capitalisation	(1) Market rents (2) Capitalization rate	(1) RMB55/sm/mth to RMB700/sm/mth (2) 3.5% to 10.5%
Completed investment properties in Hong Kong	751,442	Comparison method and Income capitalisation	(1) Market rents (2) Capitalization rate	(1) HKD6/sf/mth to HKD285/sf/mth (2) 3.8% to 4.5%

Description	Fair value at 31 December 2015 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs
Investment properties under construction in the PRC	1,331,000	Residual method	(1) Market prices (2) Developer's profit (3) Risk margin	(1) RMB8,800/sm to RMB32,000/sm (2) RMB36,000,000 to RMB118,000,000 (3) 4.35%
Completed investment properties in PRC	12,146,700	Comparison method, Income capitalisation and discounted cash flow method	(1) Market rents (2) Capitalization rate (3) Discount rate	(1) RMB20/sm/mth to RMB760/sm/mth (2) 4.5% to 11.5% (3) 13.0%
Completed investment properties in Hong Kong	690,895	Comparison method, Income capitalisation and discounted cash flow method	(1) Market rents (2) Capitalization rate (3) Discount rate	(1) HKD6/sf/mth to HKD300/sf/mth (2) 3.7% to 4.5% (3) 9.0%

17 INVESTMENT PROPERTIES (Continued)

Significant inputs used to determine fair value (Continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields. For investment property under construction, increases in construction costs that enhance the property's features may result in an increase of future rental values. An increase in future rental income may be linked with higher costs. If the remaining lease term increases, the yield may decrease.

Capitalisation and discount rates are estimated by GCAL based on the risk profile of the properties being valued. The higher the rates, the lower the fair value.

Prevailing market rents are estimated based on recent lettings, within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

The estimate costs are largely consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions. The higher the costs and the margins, the lower the fair value.

As at 31 December 2016, investment properties with an aggregate net book amount of nil (2015: RMB5,538 million) were pledged as collateral for the Group's bank borrowings (note 42).

The Group's interests in investment properties at their net book values are analysed as follows:

	2016 RMB'000	2015 RMB'000
In Hong Kong:		
Leases of between 10 to 50 years	751,442	690,895
Outside Hong Kong (note):		
Leases of between 10 to 50 years	13,585,810	13,477,700
	14,337,252	14,168,595

Note: Properties outside Hong Kong comprise properties located in China.

18 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016 RMB'000	2015 RMB'000
Beginning of the year	244,458	255,043
Amortisation	(11,132)	(10,585)
End of the year	233,326	244,458

	2016 RMB'000	2015 RMB'000
Analysed as:		
Non-current, in China	233,326	244,458

The Group's land use rights at their net book values are analysed as follows:

	2016 RMB'000	2015 RMB'000
In China:		
Land use rights of between 10 to 50 years	233,326	244,458

Land use rights with an aggregate net book amount of approximately RMB7 million (2015: RMB7 million) as at 31 December 2016 were pledged as collateral for the Group's bank borrowings (note 42).

19 BUSINESS COMBINATION

(a) Disposal of Guangzhou Hongsheng Property Development Co., Ltd.

On 13 April 2016, the Group, Guangzhou Lianheng Real Estate Co., Ltd. ("Lianheng Company") and Guangzhou Hongsheng Property Development Co., Ltd. ("Hongsheng Company") entered into an equity transfer agreement which the Group disposed of 49% interest of Hongsheng Company for a consideration of RMB2,327 million to Lianheng Company. On 28 May 2016, the Group and Lianheng Company have entered another equity transfer agreement with Guangzhou Yunxiu Property Investment Co., Ltd. ("Yunxiu Company") to dispose another 2% for a consideration of RMB95 million to Yunxiu Company. The transactions have been completed on 28 June 2016, thereafter, Hongsheng Company became an associated entity of the Group.

Details of the net assets disposed and the gain on disposal are as follows:

	2016 RMB'000
Assets and liabilities disposed of:	
Properties under development	7,226,843
Other receivables, prepayments and deposits	299
Cash and cash equivalents	4,066
Other payables and accrued charges	(3,073,322)
Deferred tax liabilities	(139,440)
Net assets disposed of	4,018,446
Consideration received (comprises consideration for equity transfer and shareholder's loan transfer)	4,040,090
Investment in an associated entity	2,327,460
Direct costs attributable to the disposal	(1,260)
Less: net assets disposed of	(4,018,446)
Less: shareholder's loan	(1,617,631)
Gain on disposal of a subsidiary and gain on deemed acquisition of an associated entity	730,213
Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary	
Cash received	4,040,090
Cash and bank balances disposed	(4,066)
	4,036,024

19 BUSINESS COMBINATION (Continued)

(b) Disposal of Talent Sky Enterprises Limited

On 7 November 2016, the Group signed a share purchase agreement to dispose of the equity interest in Talent Sky Enterprises Limited ("Talent Sky"), a subsidiary of the Group, which ultimately owns a hotel in Hong Kong, to Yue Xiu Enterprises (Holdings) Limited ("YXE"), an intermediate holding company, at a cash consideration of approximately RMB268 million, and transfer the assignment of the shareholder's loan of approximately RMB290 million. The transaction was completed on 14 December 2016.

Details of the assets and liabilities of Talent Sky disposed of and the gain on disposal as of the completion date are as follows:

	2016 RMB'000
Assets and liabilities disposed of:	
Properties, plant and equipment	296,961
Other receivables, prepayments and deposits	74,039
Cash and cash equivalents	32,073
Other payables and accrued charges	(352,985)
Deferred tax liabilities	(10,202)
Net assets disposed of	39,886
Consideration received (comprises consideration for equity transfer and shareholder's loan transfer)	557,930
Less: Net assets disposed of	(39,886)
Less: Shareholder's loan	(290,123)
Gain on disposal of Talent Sky	227,921
Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary	
Cash received	557,930
Cash and bank balances disposed	(32,073)
	525,857

19 BUSINESS COMBINATION (Continued)

(c) Acquisition of Zhoushan Xinde Business Development Co., Ltd.

On 27 October 2016, the Group acquired 50% of the equity interest of Zhoushan Xinde Business Development Co., Ltd. ("Zhoushan Xinde") from Virtue Joy Development Limited ("Virtue Joy"), third party of the Group, which corresponds to 50% interest in the Undeveloped Land Parcel (as defined below (note)) and specifically excludes the Developed Land Parcel (as defined below (note)) for a consideration of RMB 1,733 million.

As the majority of the directors were appointed by the Group and the resolution of the board of directors will be passed by simple majority, Zhoushan Xinde would become an indirect non wholly-owned subsidiary of the Group.

The following table summarises the consideration paid for Zhoushan Xinde, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration	RMB'000
At 27 October 2016	
Total consideration transferred - Cash	1,733,080
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	10
Properties under development	4,849,990
Amount due from non-controlling interest	192,160
Other payables	(1,383,840)
Liabilities of the developed land parcel	(192,160)
Total identifiable net assets	3,466,160
Non-controlling interest	(1,733,080)
	1,733,080
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	
Cash paid	1,733,080
Cash and bank balances acquired	(10)
	1,733,070

Note: The Developed Land Parcel is the portion of the land parcel already completed development as at the date of the acquisition. The Undeveloped Land Parcel is the portion of the land parcel (excluding the Developed Land Parcel) to be developed by Zhoushan Xinde.

19 BUSINESS COMBINATION (Continued)

(d) Acquisition of Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd.

On 7 November 2016, the Group entered into an agreement with Guangzhou Yuexiu Holdings Limited ("GYHL") to acquire 100% of the equity interest in Guangzhou Zhongjing Huifu Real Estate Development Co., Ltd. ("Zhongjing Huifu"), at a cash consideration of approximately RMB1,396 million, and accept assignment of the shareholder's loan of approximately RMB1,192 million. The transaction was completed on 14 December 2016.

The following table summarises the consideration paid for Zhongjing Huifu, the fair value of assets acquired at the acquisition date.

Consideration	RMB'000
At 24 December 2016	
– Cash	1,396,248
– Shareholder's loan	1,191,752
Total consideration transferred	2,588,000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,903
Properties under development	2,591,457
Taxation recoverable	355
Other payables	(11,715)
Total identifiable net assets	2,588,000
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	
Cash paid	2,588,000
Cash and bank balances acquired	(7,903)
	2,580,097

20 GAINS ON SALES OF INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with total sales proceeds of approximately RMB180 million (2015: RMB285 million) resulting in a total net gain of approximately RMB26 million (2015: RMB94 million).

21 INTERESTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000
Investments in joint ventures		
At 1 January	1,640,951	496,492
Addition	4,000	1,123,941
Excess of the fair value of net assets of a joint venture acquired over acquisition costs	—	2,163
Share of profit	55,061	18,355
At 31 December 2016	1,700,012	1,640,951
Amounts due from joint ventures (note 43(c))	2,542,060	3,494,690
Less: provision for impairment of amounts due from joint ventures	(999)	(999)
	2,541,061	3,493,691
Total	4,241,073	5,134,642

The joint ventures held by the Group have share capital consisting solely of ordinary shares, which are held directly by the Group. All of the joint ventures are private companies with no quoted market price available for its shares.

Details of the Group's joint ventures as at 31 December 2016 are set out on page 99.

Set out below are the aggregate summarised financial information for the Group's interests in joint ventures which are accounted for using the equity method.

	2016 RMB'000	2015 RMB'000
Assets		
Non-current assets	39,500	106,635
Current assets	6,572,603	6,310,450
	6,612,103	6,417,085
Liabilities		
Non-current liabilities	(900,000)	(231,864)
Current liabilities	(4,012,091)	(4,544,270)
	(4,912,091)	(4,776,134)
Net assets	1,700,012	1,640,951
Revenue	2,075,961	109,639
Expenses	(2,002,471)	(85,458)
Profit before taxation	73,490	24,181
Taxation	(18,429)	(5,826)
Profit for the year	55,061	18,355

Certain cash and cash equivalents are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's joint ventures did not have any significant capital commitments as at 31 December 2016 (2015: nil).

There are no significant contingent liabilities relating to the Group's interests in the joint ventures.

22 INTERESTS IN ASSOCIATED ENTITIES

	2016 RMB'000	2015 RMB'000
Share of net assets	7,687,215	4,502,027
Deferred units (note)	1,941,160	2,129,581
Amounts due from associated entities (note 43(c))	1,610,226	451,712
Interests in associated entities	11,238,601	7,083,320

Note: In connection with the disposal of Tower Top Development Limited ("Tower Top") to Yuexiu REIT, the Group will, on 31 December of each year, receive from Yuexiu REIT certain numbers of units of Yuexiu REIT starting from 31 December 2016. The number of units to be received each year will be limited to the maximum number of units that may be issued to the Group which will not trigger an obligation on the part of the Group to make a mandatory general offer under Rule 26 of the Takeovers Code for all units not already owned or agreed to be acquired by the Group at the relevant time.

Deferred units are part of the consideration of the business acquisition. The number of units to be issued to the Group was fixed at disposal date and is not subject to change across time. It is in substance the prepaid forward contract to deliver a fixed number of units for which the consideration has been received in advance. There is no cash option or derivatives elements in the deferred unit arrangement. This is a contractual arrangement to physically issue the units in accordance with the issuing schedule and no redemption option. The deferred units, once issued, will make the voting right/dividend right of the Group on Yuexiu REIT effective.

Yuexiu REIT is accounted for as an associated entity since the Group, among other reasons, only has significant influence on but no control over Yuexiu REIT. The key decisions of Yuexiu REIT are principally handled and monitored by an independent trustee and an asset management company. The Group has no equity interest in and/or control over the independent trustee. In addition, as the Group does not have any power to appoint the directors of the asset management company of Yuexiu REIT, the Group does not control the Manager of Yuexiu REIT. Accordingly, the Group also does not control Yuexiu REIT.

The aggregate summarised financial information for the Group's interests in its associated entities are as follows:

	2016 RMB'000	2015 RMB'000
Revenue	1,001,648	798,569
Profit after tax	385,553	323,349
Assets	21,270,485	13,115,831
Liabilities	(13,583,270)	(8,613,804)
Net assets	7,687,215	4,502,027

Details of the Group's associated entities as at 31 December 2016 are set out on page 101.

22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

All the interests in associated entities held by the Group are unlisted except for an investment in a material associated entity, Yuexiu REIT with a carrying value of approximately RMB4,020 million (2015: RMB4,061 million) which is listed on the Stock Exchange of Hong Kong. The fair value of the interests in this associated entity amounted to approximately RMB4,207 million (2015: RMB3,658 million). Set out below is the summarised financial information for the Group's material associated entity which is accounted for using the equity method.

	2016 RMB'000	2015 RMB'000
Non-current assets	29,208,736	28,178,385
Cash and cash equivalents	1,180,828	682,596
Other current assets (excluding cash and cash equivalents)	231,711	474,071
Total assets	30,621,275	29,335,052
Non-current liabilities, other than net assets attributable to unitholders	(14,538,335)	(11,935,916)
Current liabilities	(2,448,556)	(3,906,020)
Total liabilities, other than net assets attributable to unitholders	(16,986,891)	(15,841,936)
Net assets attributable to unitholders	(13,534,400)	(13,400,472)
Total liabilities	(30,521,291)	(29,242,408)
Net assets	99,984	92,644
Revenue	1,837,579	1,709,645
Depreciation and amortisation	(156,878)	(151,800)
Finance income	26,243	44,963
Finance expenses	(938,229)	(793,232)
Profit before income tax	997,327	1,000,716
Income tax expense	(285,183)	(260,033)
Post-tax profit before transactions with unitholders	712,144	740,683
Transactions with unitholders	(775,488)	(838,171)
Loss after income tax after transactions with unitholders	(63,344)	(97,488)
Other comprehensive income	70,684	103,432
Total comprehensive income	7,340	5,944
Dividends received	(303,767)	(256,551)

22 INTERESTS IN ASSOCIATED ENTITIES (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in a material associated entity as follows:

	2016 RMB'000	2015 RMB'000
Net assets attributable to unitholders as at 1 January	**13,400,472**	13,141,954
Issuance of units	**105,661**	100,754
Transactions with unitholders	**775,488**	838,171
Distributions paid to unitholders	**(747,221)**	(680,407)
Net assets at 31 December	**13,534,400**	13,400,472
Net assets attributable to deferred unitholder	**(1,941,160)**	(2,129,581)
Net assets attributable to unitholders	**11,593,240**	11,270,891
Interest in associated entity	**35.21%**	37.10%
Carrying value	**4,020,136**	4,061,422

Cash and cash equivalents of approximately RMB1,000 million are held in China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from country.

The Group's associated entities have capital commitments of RMB31 million as at 31 December 2016 (2015: RMB46 million).

Certain subsidiaries of the Group jointly and severally provided a guarantee facility in respect of a syndicated loan borrowed by Yuexiu REIT amounting to approximately RMB2,360 million (2015: RMB2,360 million) with an effective period expiring on the date two years after full repayment of the syndicated loan. The syndicated loan was fully repaid in 2016.

The interests in an associated entity of the Company represent interests in Yuexiu REIT Asset Management Limited.

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Beginning of the year	**988,875**	929,622
Increase in fair value recognised in other comprehensive income	**197,333**	59,253
End of the year	**1,186,208**	988,875

23 AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Available-for-sale financial assets represent unlisted securities in companies located in China without external credit ratings.

The fair value of the common shares held is derived using the Guideline Public Company Method approach. In applying this approach the Group has selected comparable public company peers in the same or a similar industry to provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry, and conclude that by applying an appropriate valuation multiple that is a relevant performance measure for its investments.

Valuation multiples are derived from the reported earnings and the period end stock price of companies in the peer group. In applying the valuation multiples, the Price-to-Earnings multiple and Price-to-Book Value multiple have been concluded to be the relevant performance measures for its investments. The Group also adjusts the indicated fair value to give the effect of the discount for lack of marketability compared to the publicly traded peer group when it determines that the market participants would take this into account when pricing the investment. The discount for lack of marketability is quantified on the basis of relevant restricted stock studies and represents the most significant unobservable input applied to arrive at the fair value measurement of equity securities. The Group determines 40% discount for lack of marketability as the significant unobservable inputs.

If the discount for lack of marketability would be changed to +0.5% or -0.5%, the fair value of the investment and other comprehensive income would decrease or increase by approximately RMB10 million (2015: RMB8 million). Management believes that reasonable possible changes to other unobservable inputs would not result in a significant change in the estimated fair value.

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Call options	79	27

The Group made investments in an associated entity. The associated entity invests indirectly in certain parcels of land acquired in China through the establishment of project company.

According to the terms of the cooperation agreement entered into by the Group and the other investor of the associated entity (the "Other Party"), the Group was granted call option by the Other Party to acquire all the equity interests of all the respective project companies with agreed considerations. The call option is exercisable within the periods as stipulated within each cooperation agreement, at exercise prices that are equivalent to the total capital contributions made by the Other Party in the project company plus a rate of return not exceeding 12% per annum.

The call option is classified as derivative financial instruments and is carried at fair value. The fair value of the call option was calculated using the Black-Scholes valuation model with Binomial Tree method by assuming the present value of gross development value for each project company, based on schedules provided by management of the Group, follow the Geometric Brownian motion and both the Group and the Other Party have a right, but not an obligation to develop the corresponding land parcel.

24 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The model uses the following inputs: gross development value, time to maturity, interest rate and expected volatility.

Significant unobservable input used in the measurement of the call option as at 31 December 2016 are as follows:

	Impact of change	
	Increase 0.5% RMB'000	Decrease 0.5% RMB'000
Expected volatility	**448**	**(74)**

The expected volatility of the call option is 3.01% to 4.01%. A higher volatility will increase the value of the call option.

The maximum exposure to credit risk is the carrying amounts of the derivative financial assets. The total gain for the year is included in the consolidated income statement under "other gains, net".

25 PROPERTIES UNDER DEVELOPMENT

	2016 RMB'000	2015 RMB'000
Properties under development	**44,138,207**	40,171,217

Properties under development are mainly located in China.

As at 31 December 2016, the Group's properties under development of approximately RMB6,817 million (2015: RMB29,775 million) were pledged as collateral for the Group's bank borrowings (note 42).

26 PROPERTIES HELD FOR SALE

	2016 RMB'000	2015 RMB'000
Properties held for sale	**12,683,569**	12,754,963

Properties held for sale are mainly located in China.

As at 31 December 2016, the Group's properties held for sale of approximately RMB4,397 million (2015: RMB338 million) were pledged as collateral for the Group's bank borrowings (note 42).

A provision for impairment of RMB240 million (2015: RMB251 million) is recognised as expense and included in "cost of sales".

27 COMMITMENTS UNDER OPERATING LEASES

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	49,493	33,508
Later than one year and not later than five years	43,408	48,136
More than five years	14,430	—
	107,331	81,644

28 INVENTORIES

	2016 RMB'000	2015 RMB'000
Work-in-progress	44,800	33,231
Finished goods	2,508	2,830
	47,308	36,061

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately RMB139 million (2015: RMB37 million).

29 TRADE RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	45,645	41,751
Less: provision for impairment of trade receivables	(9,286)	(9,286)
	36,359	32,465

The fair values of trade receivables approximate their carrying amounts.

As at 31 December 2016 and 2015, the ageing analysis of the trade receivables from the invoice date is as follows:

	2016 RMB'000	2015 RMB'000
0 - 30 days	19,758	16,703
31 - 180 days	3,929	3,279
181 - 365 days	1,207	1,375
Over 1 year	20,751	20,394
	45,645	41,751

29 TRADE RECEIVABLES (Continued)

As at 31 December 2016, trade receivables of approximately RMB23 million (2015: RMB20 million) were fully performing.

As at 31 December 2016, trade receivables of approximately RMB13 million (2015: RMB12 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from the due date is as follows:

	2016 RMB'000	2015 RMB'000
Over 6 months	12,672	12,483

As at 31 December 2016, trade receivables of approximately RMB9 million (2015: RMB9 million) were impaired. The amount of the provision was approximately RMB9 million as at 31 December 2016 (2015: RMB9 million). The individual impaired receivables mainly relate to customers, which are in unexpected difficult economic situations. The ageing of these receivables from the due date is as follows:

	2016 RMB'000	2015 RMB'000
Over 1 year	9,286	9,286

Movements in the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
Beginning of the year	9,286	9,286
Receivables written-off during the year as uncollectable	—	—
End of the year	9,286	9,286

The creation and release of provision for impaired receivables have been included in administrative expenses in the consolidated income statement.

The Group's trade receivables are denominated in RMB.

30 NON-CURRENT ASSETS HELD-FOR-SALE

(a) In December 2016, the Group intends to dispose of 3.89% equity interests in Yuexiu REIT. The transaction is expected to be completed in 2017.

(b) In June 2015, the Group signed a sales and purchase agreement to dispose of a hotel in Guangzhou. The transaction was completed in 2016.

31 CHARGED BANK DEPOSITS

In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for purchase of construction materials and settlement of construction fees of the relevant property projects. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificate, whichever is the earlier.

32 CASH AND CASH EQUIVALENTS

	2016 RMB'000	2015 RMB'000
Cash at bank	17,385,793	9,540,991
Short-term bank deposits	305,635	4,557
	17,691,428	9,545,548

Cash and cash equivalents are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
HKD	799,425	569,699
RMB	16,664,452	8,863,117
USD	220,274	106,243
Others	7,277	6,489
	17,691,428	9,545,548

The Group's RMB balances are placed with banks in China. The conversion of these RMB denominated balances into foreign currencies in China is subject to rules and regulations of foreign exchange control promulgated by the Chinese Government.

The average effective interest rate on short-term bank deposits was 1 percent (2015: 0.29 percent).

The Group's bank deposits are mainly placed with major state-owned financial institutions.

33 TRADE AND NOTE PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	56,370	55,098
Note payables	7,129	70,007
	63,499	125,105

The fair values of trade and note payables approximate their carrying amounts.

The ageing analysis of the trade and note payables is as follows:

	2016 RMB'000	2015 RMB'000
0 - 30 days	44,425	54,655
31 - 90 days	1,899	60,510
91 - 180 days	11,265	2,265
181 - 365 days	1,999	3,979
1 - 2 years	3,731	231
Over 2 years	180	3,465
	63,499	125,105

Majority of the Group's trade and note payables are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES

	2016 RMB'000	2015 RMB'000
Accrual for construction related costs	9,785,261	9,115,961
Accrued employee benefits costs	311,623	281,532
Amounts due to related parties (note 43 (c))	10,584,904	6,916,772
Top-up payment liability (note)	17,384	118,234
Other payables	6,093,971	3,976,828
	26,793,143	20,409,327

	2016 RMB'000	2015 RMB'000
Current liabilities	26,793,143	20,374,641
Non-current liabilities	—	34,686
	26,793,143	20,409,327

Majority of the Group's other payables and accrued charges are denominated in RMB.

34 OTHER PAYABLES AND ACCRUED CHARGES (Continued)

Note:

In connection with the disposal of Guangzhou IFC, the Group agreed to provide income support to Yuexiu REIT for the period from 1 July 2012 until 31 December 2016 for the hotel and serviced apartment business. The top-up payment is the shortfall of actual gross operating profits ("GOP") and the guaranteed GOP of the hotel and serviced apartments.

Top-up payment liability is denominated in RMB and recognised as a financial liability in the Group. It is initially recognised at fair value. In determining the fair value of the top-up payment liability, the Group has applied a valuation model that has taken into account the expected future cash flows due to the shortfall for the period from 1 July 2012 until 31 December 2016, discounted at the Group's effective interest rate of 4.2% per annum. Top-up payment liability is subsequently carried at amortised cost using the effective interest method. The expected future cash flows is under revision regularly. The carrying amount of the top-up payment liability will be adjusted to reflect the actual and revised estimated cash flows, by computing the present value of estimated future cash flows at the original effective interest rate. The adjustment is recognised in "finance income". The carrying amount approximates its fair value.

35 BORROWINGS

	2016 RMB'000	2015 RMB'000
Non-current		
Long-term bank borrowings		
- Secured	3,341,299	11,772,953
- Unsecured	16,724,944	13,002,332
Other borrowings, unsecured	13,448,514	7,877,747
Obligations under finance leases	178	114
	33,514,935	32,653,146
Current		
Bank overdrafts	53	63
Short-term bank borrowings		
– Secured	—	—
– Unsecured	1,885,021	736,446
Current portion of long-term bank borrowings		
– Secured	404,061	1,338,550
– Unsecured	3,587,760	3,436,667
Other borrowings, unsecured	901,359	—
Obligations under finance leases	86	69
	6,778,340	5,511,795
Total borrowings	40,293,275	38,164,941

35 BORROWINGS (Continued)

The maturity of borrowings is as follows:

	Bank borrowings and overdrafts		Other loans	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Within one year	5,876,895	5,511,726	901,445	69
In the second year	3,964,692	14,189,406	66	500,052
In the third to fifth year	12,293,151	8,820,879	4,981,709	2,258,212
Over five years	3,808,400	1,765,000	8,466,917	5,119,597
	25,943,138	30,287,011	14,350,137	7,877,930

The effective interest rates at the balance sheet date were as follows:

	2016			2015		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	3.28%	5.12%	3.29%	3.45%	6.55%	2.52%
Other borrowings	6.17%	3.80%	5.44%	6.20%	6.19%	4.19%
Bank overdrafts	5.44%	—	—	6.60%	—	—

The carrying amounts of the borrowings are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
HKD	2,413,480	13,324,487
RMB	34,435,573	17,775,292
USD	3,444,222	7,065,162
	40,293,275	38,164,941

The fair values of borrowings approximate their carrying amounts.

36 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares ('000)	Share capital RMB'000	Total RMB'000
At 31 December 2015	12,401,307	12,759,402	12,759,402

	Number of shares ('000)	**Share capital RMB'000**	**Total RMB'000**
At 31 December 2016	12,401,307	12,759,402	12,759,402

37 RESERVES

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2016	212,556	(259,218)	589,217	16,316,219	16,858,774
Currency translation differences	—	(104,649)	—	—	(104,649)
Change in fair value of available-for-sale financial assets					
- gross	—	—	187,467	—	187,467
- tax	—	—	(46,867)	—	(46,867)
- effect of withholding tax	—	—	(11,951)	—	(11,951)
Profit attributable to shareholders	—	—	—	1,540,154	1,540,154
Dividends paid	—	—	—	(558,344)	(558,344)
At 31 December 2016	212,556	(363,867)	717,866	17,298,029	17,864,584
Representing:					
2016 final dividend proposed				347,237	
Others				16,950,792	
				17,298,029	

37 RESERVES (Continued)

	Statutory reserves (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	198,061	(284,057)	550,588	15,879,981	16,344,573
Currency translation differences	—	24,839	—	—	24,839
Change in fair value of available-for-sale financial assets					
- gross	—	—	56,290	—	56,290
- tax	—	—	(14,073)	—	(14,073)
- effect of withholding tax	—	—	(3,588)	—	(3,588)
Profit attributable to shareholders	—	—	—	1,012,889	1,012,889
Transfer	14,495	—	—	(14,495)	—
Dividends paid	—	—	—	(562,156)	(562,156)
At 31 December 2015	212,556	(259,218)	589,217	16,316,219	16,858,774
Representing:					
2015 final dividend proposed				198,421	
Others				16,117,798	
				16,316,219	

Note:

(a) Statutory reserves represent enterprise expansion and general reserve funds set up by the subsidiaries, joint ventures and associated entities in China. As stipulated by regulations in China, the Company's subsidiaries, joint ventures and associated entities established and operated in China are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective boards of directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion funds may be used for increasing capital only.

38 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the applicable income tax rate. The majority of the deferred tax assets and liabilities are expected to be recovered after more than 12 months.

The gross movements on the deferred tax account are as follows:

	2016 RMB'000	2015 RMB'000
Beginning of the year	5,067,220	4,887,261
(Credited)/charged during the year (note 10)	(705,841)	118,532
Acquisition of a subsidiary	—	44,932
Disposal of subsidiaries (note 19(a), (b))	(149,642)	—
Deferred taxation charged to equity (note 10)	61,284	18,402
Exchange differences	(16,276)	(1,907)
End of the year	4,256,745	5,067,220

The movements in deferred tax assets (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

	Different bases in reporting expenses with tax authorities RMB'000	Provision for impairment of properties RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2016	22,193	18,608	166,564	1,021	208,386
Exchange differences	—	—	—	—	—
Charged to profit or loss during the year	23,494	—	3,139	—	26,633
At 31 December 2016	45,687	18,608	169,703	1,021	235,019
At 1 January 2015	105,556	18,608	27,208	1,021	152,393
Exchange differences	342	—	—	—	342
(Charged)/credited to profit or loss during the year	(83,705)	—	139,356	—	55,651
At 31 December 2015	22,193	18,608	166,564	1,021	208,386

38 DEFERRED TAXATION (Continued)

The movements in deferred tax liabilities (prior to offsetting of balances within the same jurisdiction), during the year are as follows:

	Revaluation of properties RMB'000	Accelerated depreciation RMB'000	Revaluation of investments RMB'000	Different bases in reporting revenue with tax authorities RMB'000	Others RMB'000	Undistributed profits of subsidiaries, joint ventures and associated entities RMB'000	Total RMB'000
At 1 January 2016	3,523,609	77,345	227,839	406,462	9,446	1,030,905	5,275,606
Exchange differences	(16,276)	—	—	—	—	—	(16,276)
Charged/(credited) to profit or loss during the year	(500,617)	(9,855)	—	(402,221)	13	233,472	(679,208)
Credited to reserves	—	—	49,332	—	—	11,952	61,284
Disposal of subsidiaries	(149,642)	—	—	—	—	—	(149,642)
At 31 December 2016	2,857,074	67,490	277,171	4,241	9,459	1,276,329	4,491,764
At 1 January 2015	3,316,997	68,658	213,025	514,759	12,688	913,527	5,039,654
Exchange differences	(1,765)	200	—	—	—	—	(1,565)
Charged/(credited) to profit or loss during the year	208,377	8,487	—	(153,229)	(3,242)	113,790	174,183
Credited to reserves	—	—	14,814	—	—	3,588	18,402
Acquisition of a subsidiary	—	—	—	44,932	—	—	44,932
At 31 December 2015	3,523,609	77,345	227,839	406,462	9,446	1,030,905	5,275,606

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the consolidated balance sheet:

	2016 RMB'000	2015 RMB'000
Deferred tax assets		
- Hong Kong profits tax	—	—
- China enterprise income tax	221,491	208,302
	221,491	208,302
Deferred tax liabilities		
- Hong Kong profits tax	28,678	36,337
- China enterprise income tax	3,287,735	3,378,947
- China land appreciation tax	1,161,823	1,860,238
	4,478,236	5,275,522

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxation profits is probable. As at 31 December 2016, the Group had unrecognised deferred tax benefits of approximately RMB366 million (2015: RMB255 million) in respect of tax losses of approximately RMB1,912 million (2015: RMB1,020 million). Tax losses amounting to RMB600 million (2015: RMB132 million) will expire at various dates up to and including 2021 (2015: 2020). The remaining tax losses have no expiry date.

39 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

At 31 December 2016, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

	2016 RMB'000	2015 RMB'000
Not later than one year	636,258	471,480
Later than one year and not later than five years	1,540,236	1,318,172
Later than five years	179,209	177,065
	2,355,703	1,966,717

40 CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital commitments in respect of property, plant and equipment:		
Contracted but not provided for	1,063,676	659,873
Authorised but not contracted for	789,475	1,358,728
	1,853,151	2,018,601

At 31 December 2016, the Group had no financial commitments in respect of acquisition of an associated entity (2015: RMB640 million).

41 GUARANTEES

	2016 RMB'000	2015 RMB'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties (note (a))	11,303,638	11,407,798
Guarantee for banking and loan facility granted to an associated entity (note (b))	2,360,000	2,360,000
Guarantees for banking and loan facilities granted to joint ventures	249,049	—
	13,912,687	13,767,798

Note:

(a) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees shall terminate upon issuance of the relevant property ownership certificates.

(b) Certain subsidiaries of the Group jointly and severally provided guarantee in respect of a syndicated loan borrowed by Yuexiu REIT with an effective period expiring on the date two years after full repayment of the syndicated loan.

42 SECURITIES FOR BANKING FACILITIES

At 31 December 2016, certain banking facilities and loans granted to the Group were secured by:

(a) mortgages of certain of the Group's properties under development, properties held for sale, investment properties and property, plant and equipment with aggregate carrying values of approximately RMB6,817 million (2015: RMB29,775 million), RMB4,397 million (2015: RMB338 million), nil (2015: RMB5,538 million) and RMB572 million (2015: RMB627 million) respectively; and

(b) mortgages of certain of the Group's land use rights with an aggregate carrying value of RMB7 million (2015: RMB7 million).

43 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is GYHL. The table below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2016:

Significant related parties	Relationship with the Company
GYHL	Ultimate holding company
YXE	Intermediate holding company
Chong Hing Bank Limited ("CHB")	A fellow subsidiary
Guangzhou Yuexiu Financial Leasing Co., Ltd ("GYFL")	Note
廣州越禾房地產開發有限公司("越禾")	A joint venture

Note: GYFL, partially and indirectly held by GYHL, was under GYHL's significant influence as at 31 December 2016.

(b) Transactions with related parties

Save as disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000
(I) Transactions with YXE		
Rental expenses and property management fees paid to YXE	**(3,193)**	(2,815)
Rental income received from YXE	**368**	259
Interest expense paid to YXE (note 9)	**80,699**	—
(II) Transactions with Yuexiu REIT		
Tenancy service fees received from Yuexiu REIT	**22,490**	22,612
Rental expenses paid to Yuexiu REIT	**(68,503)**	(125,983)
Interest paid to Yuexiu REIT	**(15,798)**	(30,327)
Top-up payment paid/payable to Yuexiu REIT	**(52,626)**	(66,823)
(III) Transaction with CHB		
Borrowing interest paid to CHB	**(7,226)**	(16,260)
Rental income received from CHB	**6,732**	—
Gain on foreign exchange transactions with CHB	**3,093**	—
Management fee income received from CHB	**1,195**	—
(IV) Transaction with GYFL		
Rental income received from GYFL	**6,129**	—
(V) Transaction with 越禾		
Commission income receivable from 越禾	**20,034**	—

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2016 RMB'000	2015 RMB'000
Amount due to an intermediate holding company	(i), (ii)	(11)	(8)
Amounts due from associated entities	(i), (iv)	3,993,038	464,134
Amounts due to associated entities	(ii), (vi), (vii)	(5,050,440)	(5,954,246)
Amounts due from joint ventures	(i), (iii), (v)	2,561,703	3,531,691
Amounts due to joint ventures	(i), (ii)	(1,549,186)	(768,727)
Amounts due from related companies	(i), (ii)	38,285	21,239
Amounts due to related companies	(i), (ii)	(40,604)	(50,870)
Amounts due to fellow subsidiaries	(i)	(3,944,663)	(142,921)
Cash at bank from a fellow subsidiary	(viii)	236,063	220,036
Bank borrowings from a fellow subsidiary	(ix)	—	(251,334)
Other borrowings from an intermediate holding company	(x)	(901,359)	—
Other borrowings from a fellow subsidiary	(xi)	—	(192,498)
Other borrowings from a fellow subsidiary	(xii)	—	(500,000)

Except for the amount due to an intermediate holding company and amounts due from associated entities which are denominated in HKD, all other related party balances are denominated in RMB.

Note:

(i) These balances are unsecured, interest free and repayable on demand.

(ii) These balances are included in other receivables, prepayments and deposits or other payables and accrued charges, as appropriate.

(iii) The balance is included in interests in joint ventures except for an amount of RMB20,642,000 (2015: RMB38,000,000) which is included in other receivables, prepayments and deposits.

(iv) The balance is included in interests in associated entities except for an amount of approximately RMB2,382,812,000 (2015: RMB12,422,000) which is included in other receivables, prepayments and deposits.

(v) The balances are not in default or impaired, except for a provision for impairment losses of approximately RMB999,000 (2015: RMB999,000) which is made for an amount due from a joint venture.

(vi) The balance excludes top-up payment liability of approximately RMB17,384,000 (2015: RMB118,234,000) which is included in other payables and accrued charges.

(vii) Except for an amount of approximately RMB131,351,000 (2015: RMB292,900,000) which is unsecured and interest bearing at 9.0 percent per annum (2015: 9.0 percent per annum), the remaining balances are unsecured, interest free and repayable on demand.

(viii) These balances are unsecured and repayable on demand.

(ix) These balances in 2015 were unsecured with interest bearing at HIBOR +2.5 percent per annum and early redeemed in 2016.

(x) These balances are unsecured and interest bearing at 4.35%, repayable within twelve months and denominated in RMB.

(xi) These balances in 2015 were the medium term notes with coupon rate of 3.25% per annum due 2018 and early redeemed in 2016.

(xii) The balance in 2015 was unsecured with interest bearing at 6.19% per annum due 2017 and early redeemed in 2016.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

The aggregate amounts of emoluments paid or payable to key management of the Group are as follows:

	2016 RMB'000	2015 RMB'000
Fees	822	772
Other emoluments:		
Basis salaries, housing allowances, other allowances and benefits in kind	34,751	32,012
Pension costs	563	492
	36,136	33,276

44 COMPANY BALANCE SHEET

	2016 RMB'000	2015 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	6,277	7,905
Investment properties	9,974	—
Interests in subsidiaries	29,692,681	34,269,397
Interests in an associated entity	19,209	19,199
	29,728,141	34,296,501
Current assets		
Other receivables, prepayments and deposits	2,723	1,487
Dividend receivables	1,003,599	1,003,599
Cash and cash equivalents	1,000,881	519,098
	2,007,203	1,524,184
LIABILITIES		
Current liabilities		
Amounts due to subsidiaries	3,963,119	852,455
Other payables and accrued charges	1,170,266	385,601
Borrowings	1,600,367	3,313,829
	6,733,752	4,551,885
Net current liabilities	(4,726,549)	(3,027,701)
Total assets less current liabilities	25,001,592	31,268,800

44 COMPANY BALANCE SHEET (Continued)

	2016 RMB'000	2015 RMB'000
Non-current liabilities		
Amount due to a subsidiary	7,824,891	—
Other payables and accrued charges	—	34,686
Borrowings	3,494,543	16,831,249
	11,319,434	16,865,935
Net assets	13,682,158	14,402,865
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	12,759,402	12,759,402
Reserves (note)	922,756	1,643,463
Total equity	13,682,158	14,402,865

On behalf of the Board

Zhang Zhaoxing
Director

Zhu Chunxiu
Director

Note:

Reserves

	Retained profits RMB'000	Total RMB'000
At 1 January 2016	1,643,463	1,643,463
Loss for the year	(162,363)	(161,826)
Dividends paid	(558,344)	(558,344)
At 31 December 2016	922,756	923,293

	Retained profits RMB'000	Total RMB'000
At 1 January 2015	3,174,178	3,174,178
Loss for the year	(968,559)	(968,559)
Dividends paid	(562,156)	(562,156)
At 31 December 2015	1,643,463	1,643,463

GROUP STRUCTURE

PRINCIPAL SUBSIDIARIES

As at 31 December 2016, the Company held shares/interests in the following principal subsidiaries:

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Able Business Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Able Step Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Acon Investment Ltd.	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Beexiu Industrial (Shenzhen) Co., Ltd.	China, limited liability company	Registered capital HKD7,000,000	—	100	—	100	Property development
Bond Master Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Charm Smart Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property development
Companhia de Fomento Predial Yue Xiu (Macau), Limitada	Macau	1 share of MOP198,000 and 1 share of MOP2,000	—	100	—	100	Property development
Companhia de Gestao Imobiliaria Hang Sao, Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property management
Crystal Path Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Dalian Perfect Base Property Development Co., Ltd.	China, limited liability company	Registered capital USD7,500,000	—	100	—	100	Property development
Dragon Yield Holding Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Easy Excel Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Elsburg Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Property investment
Extra Act Limited	Hong Kong	1,000 Ordinary shares (HKD1,000)	—	100	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Fundscore Development Limited	Hong Kong	500,000 Ordinary shares (HKD500,000)	—	100	—	100	Property investment
Glory Mission Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Green Park Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Guangzhou Bright Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB88,315,800	—	95	—	95	Property development
Guangzhou Carry Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Central Funds City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB37,236,300	—	95	—	95	Property development
Guangzhou Charcon Real Estate Co., Ltd.	China, limited liability company	Registered capital HKD259,670,000	—	100	—	100	Property development
Guangzhou Charfar Real Estate Company Limited	China, limited liability company	Registered capital RMB111,450,000	—	75	—	75	Property development
Guangzhou Charho Real Estate Company Limited	China, limited liability company	Registered capital RMB190,000,000	—	100	—	100	Property development
Guangzhou City Construction & Development Co. Ltd.	China, limited liability company	Registered capital RMB1,908,610,000	—	95	—	95	Property development
Guangzhou City Construction & Development Consulting Ltd.	China, limited liability company	Registered capital RMB2,145,800	—	98.13	—	98.13	Consulting services in property development
Guangzhou City Construction & Development Decoration Ltd.	China, limited liability company	Registered capital RMB35,882,800	—	98.62	—	98.62	Decoration and design

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Guangzhou City Construction & Development Group Nansha Co. Ltd.	China, limited liability company	Registered capital RMB380,000,000	—	95.48	—	95.48	Property development
Guangzhou City Construction & Development Jingcheng Property Co. Ltd.	China, limited liability company	Registered capital RMB13,712,500	—	99.75	—	99.75	Property development
Guangzhou City Construction & Development Property Ltd.	China, limited liability company	Registered capital RMB12,994,800	—	99.75	—	99.75	Property development and investment
Guangzhou Yuexiu Property Construction Project Management Co., Ltd.	China, limited liability company	Registered capital RMB8,921,500	—	98.25	—	98.25	Project management
Guangzhou City Construction & Development Weicheng Enterprise Ltd.	China, limited liability company	Registered capital RMB955,300	—	80	—	80	Property investment
Guangzhou City Construction & Development Xingye Property Agent Ltd.	China, limited liability company	Registered capital RMB37,520,000	—	97.6	—	97.6	Real estate agency
Guangzhou Construction & Development Holdings (China) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Guangzhou Cowan City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Eastern Growth City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,734,400	—	95	—	95	Property development
Guangzhou Faithbond City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,231,400	—	95	—	95	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
GZ City Construction & Development Grandcity Parking Property Management Co. Ltd.	China, limited liability company	Registered capital RMB2,730,600	—	99.06	—	99.06	Car parking management
Guangzhou Grandcity Development Ltd.	China, limited liability company	Registered capital RMB539,578,600	—	100	—	100	Property development
Guangzhou Guangxiu City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB18,287,700	—	95	—	95	Property development
Guangzhou Honour City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB16,386,800	—	95	—	95	Property development
Guangzhou Investment Finance Company Limited	Hong Kong	2 Ordinary shares (HKD2)	100	—	100	—	Financial services
Guangzhou Keen Asia City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou May Hua City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB12,853,900	—	95	—	95	Property development
Guangzhou Million Top City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Perfect City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,448,600	—	95	—	95	Property development
Guangzhou Seaport City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB23,074,600	—	95	—	95	Property development
Guangzhou Sincere Land City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Sun Peak City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,440,300	—	95	—	95	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Guangzhou Talent Gather City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Top Jade City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Tung Win City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Unionwin City Real Estates Co. Ltd	China, limited liability company	Registered capital RMB19,776,700	—	95	—	95	Property development
Guangzhou White Horse Clothings Market Ltd.	China, limited liability company	Registered capital RMB118,873,900	—	100	—	100	Property investment
Guangzhou White Horse Business Management Co., Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.84	—	99.84	Property management
Guangzhou Winbase City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB11,952,000	—	95	—	95	Property development
Guangzhou Winner City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB28,684,800	—	95	—	95	Property development
Guangzhou Xingcheng Enterprise Development Ltd.	China, limited liability company	Registered capital RMB154,612,700	—	99.75	—	99.75	Property investment
Guangzhou Yicheng Property Management Ltd.	China, limited liability company	Registered capital RMB5,000,000	—	99.28	—	99.28	Property management
Guangzhou Yieldwise City Real Estates Co. Ltd.	China, limited liability company	Registered capital RMB14,083,200	—	95	—	95	Property development
Guangzhou Yuehui Property Development Limited	China, limited liability company	Registered capital RMB1,612,244,900	—	99.07	—	99.07	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
Hangzhou Yuexiu Property Development Limited	China, limited liability company	Registered capital USD499,070,000	—	100	—	100	Property development
Honstar Investments Limited	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Hoover (China) Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Jamsin Limited	Hong Kong	2 Ordinary shares (HKD2)	100	—	100	—	Property holding
Jiangmen Yue Xiu City Construction Property Development Limited	China, limited liability company	Registered capital RMB570,000,000	—	95	—	95	Property development
Jumbo Good Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Jumbo King Development Limited	Hong Kong	2 Ordinary shares (HKD2)	100	—	100	—	Property investment
Keen Million Investment Limited	Hong Kong	1 Ordinary share (HKD1)	100	—	—	—	Finance Services
Kingswell Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investments
Leading Affluence Limited	Hong Kong	1 Ordinary share (HKD1)	100	—	100	—	Finance services
Lucken Limited	Hong Kong	3 Ordinary shares (HKD3)	—	100	—	100	Property investment
Market Rise Limited	British Virgin Islands	1 Ordinary share of USD1 each	—	100	—	100	Investment holding
Merry Growth Development Limited	Hong Kong	100 Ordinary shares (HKD100)	—	100	—	100	Property investment
Nation Harvest Development Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Investment holding
Sino Peace Development Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Smart Rise Development Limited	Hong Kong	100 Ordinary shares (HKD100)	—	100	—	100	Property investment

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Sociedade de Fomento Predial Codo(Macau) Limitada	Macau	1 share of MOP99,000 and 1 share of MOP1,000	—	100	—	100	Property development
Solution Investment Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property investment
Super Gain Development Limited	British Virgin Islands	350,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Superland Development Ltd.	British Virgin Islands	10,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Viclong Company Limited	Hong Kong	100 Ordinary shares (HKD10,000)	—	100	—	100	Property investment
Winston Investment Limited	Hong Kong	1 Ordinary share (HKD1)	—	100	—	100	Property investment
Yue Xiu APT Parking Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Car parking management
Yue Xiu Property Agency Limited	Hong Kong	2 Ordinary shares (HKD2)	—	100	—	100	Property agency services
Yue Xiu Property Consultants Limited	Hong Kong	100 Ordinary shares (HKD100) and 500,000 Non-voting deferred shares (HKD500,000)	—	100	—	100	Property management consultancy services
Yue Xiu Property Management Limited	Hong Kong	10,000 Ordinary shares (HKD10,000)	—	100	—	100	Building management services
Yuexiu Property (B.V.I.) Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
Yuexiu Property (China) Company Limited	British Virgin Islands	5,000 Ordinary shares of HKD1 each	—	100	—	100	Investment holding
Yuexiu Property (HK) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Yuexiu Property (Macau) Company Limited	British Virgin Islands	1 Ordinary share of HKD1 each	—	100	—	100	Investment holding
Yuexiu International Investment Limited	British Virgin Islands	1 Ordinary share of USD1 each	100	—	100	—	Investment holding
廣州華振科技投資有限公司	China, limited liability company	Registered capital RMB20,000,000	—	100	—	100	Investment holding
佛山市南海區越秀地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	100	—	100	Property development
海南白馬建設開發有限公司	China, limited liability company	Registered capital RMB523,613,085	—	47.5	—	47.5	Property development
昆山市越秀廣電投資發展有限公司	China, limited liability company	Registered capital RMB50,000,000	—	48.45	—	48.45	Property development
煙台越秀地產開發有限公司	China, limited liability company	Registered capital RMB560,000,000	—	100	—	100	Property development
煙台越星地產開發有限公司	China, limited liability company	Registered capital RMB1,165,940,000	—	100	—	100	Property development
中山越星房地產開發有限公司	China, limited liability company	Registered capital USD99,800,000	—	100	—	100	Property development
中山市越秀地產開發有限公司	China, limited liability company	Registered capital RMB605,000,000	—	95	—	95	Property development
中山市金滿房地產開發有限公司	China, limited liability company	Registered capital RMB700,000,000	—	100	—	100	Property development
青島越秀地產開發有限公司	China, limited liability company	Registered capital HKD2,154,000,000	—	100	—	100	Property development
瀋陽越星房地產開發有限公司	China, limited liability company	Registered capital HKD624,000,000	—	100	—	100	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
杭州越雋房地產開發有限公司	China, limited liability company	Registered capital USD290,000,000	—	100	—	100	Property development
廣州東秀房地產開發有限公司	China, limited liability company	Registered capital RMB20,000,000	—	95.48	—	95.48	Property development
瀋陽嶺海房地產有限公司	China, limited liability company	Registered capital USD59,800,000	—	99.95	—	99.95	Property development
越秀地產(瀋陽)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	99.95	—	99.95	Property management
廣州市富城物業管理有限公司	China, limited liability company	Registered capital RMB800,000	—	49.88	—	49.88	Property management
越秀地產(山東)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	100	—	100	Property management
瀋陽越秀地產有限公司	China, limited liability company	Registered capital HKD2,910,000,000	—	100	—	100	Property development
武漢越秀地產開發有限公司	China, limited liability company	Registered capital RMB2,200,000,000	—	100	—	100	Property development
中山市越秀地產物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	95	—	95	Property management
廣州悦秀會信息科技有限公司	China, limited liability company	Registered capital RMB500,000	—	99.75	—	99.75	Property management
廣州市薈景綠化有限公司	China, limited liability company	Registered capital RMB2,000,000	—	99.70	—	99.70	Greening services
廣州市悦冠物業設備工程有限公司	China, limited liability company	Registered capital RMB500,000	—	99.70	—	99.70	Provision of construction service
武漢越秀嘉潤房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	95.48	—	95.48	Property development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
武漢越秀嘉益房地產開發有限公司	China, limited liability company	Registered capital RMB500,000,000	—	95.48	—	95.48	Property development
廣州市城秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95	—	95	Property development
廣州東輝房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95	—	95	Property development
廣州越投商業保理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	100	—	100	Trade finance
廣州市宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100	—	100	Property development
廣州市宏錦房地產開發有限公司	China, limited liability company	Registered capital RMB650,000,000	—	100	—	100	Property development
廣州宏景房地產開發有限公司	China, limited liability company	Registered capital RMB850,000,000	—	95.48	—	95.48	Property development
越秀地產(江門)物業管理有限公司	China, limited liability company	Registered capital RMB3,000,000	—	95	—	95	Property management
廣州越秀城建仲量聯行物業服務有限公司	China, limited liability company	Registered capital RMB5,000,000	—	57	—	57	Property management
廣州祥錦房地產開發有限公司	China, limited liability company	Registered capital RMB250,000,000	—	95.48	—	95.48	Property development
廣州越港房地產開發有限公司	China, limited liability company	Registered capital RMB300,000,000	—	100	—	100	Property development
廣州盈勝投資有限公司	China, limited liability company	Registered capital RMB300,000,000	—	95.48	—	95.48	Property management

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
佛山市禪城區越輝房地產開發有限公司	China, limited liability company	Registered capital RMB600,000,000	—	95	—	95	Property development
杭州越輝房地產開發有限公司	China, limited liability company	Registered capital RMB200,000,000	—	100	—	100	Property development
杭州越港實業投資有限公司	China, limited liability company	Registered capital RMB360,000,000	—	95.48	—	95.48	Property development
江門越港房地產開發有限公司	China, limited liability company	Registered capital RMB100,000,000	—	46.41	—	46.41	Property development
武漢市錦熹實業投資合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99.00	—	—	Investment Consulting
杭州樾欒投資管理合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99.00	—	—	Investment Consulting
青島合勝投資合夥企業(有限合夥)	China, partnership	Registered capital RMB1,000,000	—	99.00	—	—	Property Investment
廣州逮榮實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Metal Manufacturing
廣州耀維實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Metal Manufacturing
廣州中璟慧富房地產開發有限公司	China, limited liability company	Registered capital RMB4,160,000	—	95.00	—	—	Property Development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
杭州燚樂實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Investment
廣州城迅實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
青島越星房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
廣州堅秀實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
廣州安翠實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
杭州誠鑒實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Investment
杭州松炎實業投資有限公司	China, limited liability company	Registered capital RMB5,000,000	—	95.00	—	—	Property Investment
杭州松炬實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Investment
杭州炎盛實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Investment
杭州燊熠實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Investment
武漢炎勝置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
武漢東焱置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
武漢東偉置業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
廣州越登實業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
江門越佳房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.40	—	—	Property Development
青島宏秀房地產開發有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.12	—	—	Property Development
杭州東桂房地產開發有限公司	China, limited liability company	Registered capital RMB 100,000,000	—	95.04	—	—	Property Development
舟山宏智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Information Consulting
舟山欣德商貿發展有限公司	China, limited liability company	Registered capital RMB60,000,000	—	47.50	—	—	Trading
杭州慧盛企業管理有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	—	Management Consulting
太倉和融商貿有限公司	China, limited liability company	Registered capital RMB50,000,000	—	47.50	—	—	Trading
蘇州向東島房地產開發有限公司	China, limited liability company	Registered capital RMB380,000,000	—	47.50	—	—	Property Development
武漢越武房地產開發有限公司	China, limited liability company	Registered capital RMB120,000,000	—	51.42	—	—	Property Development
青島越成投資管理有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Investment Holding
廣州展康投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100.00	—	—	Commercial Services

PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Effective percentage of attributable interest held by the Company				Principal activities
			2016		2015		
			Direct	Indirect	Direct	Indirect	
廣州越秀商業地產投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100.00	—	—	Commercial Services
杭州東日經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Information Consulting Service
杭州春焱實業投資有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Property Investment
廣州鉅熹經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Commercial Services
廣州顯昌投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100.00	—	—	Investment Holdings
廣州裕永投資管理有限公司	China, limited liability company	Registered capital RMB1,000,000	—	100.00	—	—	Commercial Services
杭州東智經濟信息諮詢有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Information Consulting Service
武漢東雄置業發展有限公司	China, limited liability company	Registered capital RMB10,000,000	—	100.00	—	—	Property Development
江門市群輝實業投資中心(有限合夥)	China, partnership	Registered capital RMB10,000	—	99.00	—	—	Investment Holdings
武漢市東煌實業有限公司	China, limited liability company	Registered capital RMB10,000,000	—	95.00	—	—	Property Development
杭州裕饒投資管理有限公司	China, limited liability company	Registered capital RMB100,000	—	95.48	—	—	Investment Holdings

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

PRINCIPAL JOINT VENTURES

As at 31 December 2016, the Group held the following principal joint ventures:

Name of joint Ventures	Place of establishment and operation	Percentage of voting power	Effective percentage of interest in ownership/ profit sharing 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Hainan China City Property Development Co. Ltd.	China	57.14	—	52	—	52	Property development
廣州中耀實業投資有限公司	China	50	—	47.74	—	47.74	Property development
廣州越禾房地產開發有限公司	China	50	—	47.74	—	47.74	Property development
廣州市暉邦置業有限公司	China	50	—	47.74	—	47.74	Property development

PRINCIPAL ASSOCIATED ENTITIES

As at 31 December 2016, the Group held shares/interests in the following principal associated entities:

Name of associated entity	Place of establishment and operation	Effective percentage of interest in ownership/ profit sharing 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect	Principal activities
Yuexiu Real Estate Investment Trust	Hong Kong	—	39.1	—	37.10	Property investment
武漢康景實業投資有限公司	China	—	7.64	—	7.64	Property development
廣州宏嘉房地產開發有限公司	China	—	15.95	—	15.95	Property development
廣州宏軒房地產開發有限公司	China	—	15.95	—	15.95	Property development
江門市蓬江區碧桂園房地產開發有限公司	China	—	44.59	—	44.59	Property development
杭州龍禧房地產開發有限公司	China	—	28.64	—	—	Property development
廣州璟暉房地產開發有限公司	China	—	15.95	—	—	Property development
杭州星日房地產開發有限公司	China	—	31.95	—	—	Property development
廣州宏勝房地產開發有限公司	China	—	49	—	100	Property development

越秀地產股份有限公司
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